NAVAL POSTGRADUATE SCHOOL
MONTEREY, CALIFORNIA

THESIS

AN ANALYSIS OF CONTRACTS AWARDED IN THE FACE OF A NEGATIVE PREAWARD SURVEY RECOMMENDATION

by

Jeffrey R. Cuskey

March 1997

Thesis Advisor: David V. Lamm

Approved for public release; distribution is unlimited

REPORT DOCUMENTATION PAGE

Form Approved OMB No. 0704-0188

1. AGENCY USE ONLY *(Leave blank)*	2. REPORT DATE March 1997	3. REPORT TYPE AND DATES COVERED Master's Thesis

4. TITLE AND SUBTITLE **AN ANALYSIS OF CONTRACTS AWARDED IN THE FACE OF A NEGATIVE PREAWARD SURVEY RECOMMENDATION**

5. FUNDING NUMBERS

6. AUTHOR(S) Jeffrey R. Cuskey

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
Naval Postgraduate School
Monterey CA 93943-5000

8. PERFORMING ORGANIZATION REPORT NUMBER

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSORING/MONITORING AGENCY REPORT NUMBER

11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

12a. DISTRIBUTION/AVAILABILITY STATEMENT
Approved for public release; distribution is unlimited.

12b. DISTRIBUTION CODE

13. ABSTRACT *(maximum 200 words)*

The purpose of this Thesis is to examine the Department of Defense Preasard Survey process and assess its effectiveness as a source selection and risk management tool. This is accomplished by identifying the primary causes of negative Preaward Survey recommendations, determining how Procuring Contracting Officers use this information in source selection and examining the Department of Defense's experience with contracts awarded in the face of a Negative Preaward Survey.

The data for this research were gathered by reviewing Preaward Survey files and interviewing contract administration office personnel at Defense Contract Management Command (DCMC) and Defense Logistics Agency Headquarters. Personnel from various buying activities throughout the Department of Defense were also interviewed.

This thesis concludes that the Department of Defense Preaward Survey process is operating at a reasonable level of efficiency and effectiveness, but that improvements could be made to its use as a source selection and risk management tool. This conclusion is based upon finding that Preaward Survey information is being utilized effectively for contractor responsibility determinations. However, it was noted that Preaward Surveys are not always useful to facilitate source selection decisions and that Preaward Surveys are not being fully utilized as a risk management tool during preaward and post-award contract management. In addition, this thesis presents ten recommendations for further improvements to the Preaward Survey process.

14. SUBJECT TERMS Negative Preaward Surveys			15. NUMBER OF PAGES 158
			16. PRICE CODE
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL

NSN 7540-01-280-5500 Standard Form 298 (Rev. 2-89)

AN ANALYSIS OF CONTRACTS AWARDED IN THE FACE OF A NEGATIVE PREAWARD SURVEY RECOMMENDATION

Jeffrey R. Cuskey
Commander, Supply Corps, United States Navy
B.A., University of Delaware, 1978

Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
March 1997

ABSTRACT

The purpose of this Thesis is to examine the Department of Defense Preaward Survey process and assess its effectiveness as a source selection and risk management tool. This is accomplished by identifying the primary causes of negative Preaward Survey recommendations, determining how Procuring Contracting Officers use this information in source selection and examining the Department of Defense's experience with contracts awarded in the face of a Negative Preaward Survey.

The data for this research were gathered by reviewing Preaward Survey files and interviewing contract administration office personnel at Defense Contract Management Command (DCMC) and Defense Logistics Agency Headquarters. Personnel from various buying activities throughout the Department of Defense were also interviewed.

This thesis concludes that the Department of Defense Preaward Survey process is operating at a reasonable level of efficiency and effectiveness, but that improvements could be made to its use as a source selection and risk management tool. This conclusion is based upon findings that Preaward Survey information is being utilized effectively for contractor responsibility determinations. However, it was noted that Preaward Surveys are not always useful to facilitate source selection decisions and that Preaward Surveys are not being fully utilized as a risk management tool during preaward and post-award contract management. In addition, this thesis presents ten recommendations for further improvements to the Preaward Survey process.

TABLE OF CONTENTS

I. INTRODUCTION

A. GENERAL

Procuring Contracting Officers (PCOs) have a fiduciary responsibility to act in the Government's best interest when awarding contracts to defense contractors. However, before awarding a contract, the PCO must make a determination that the prospective contractor has the necessary management, technical expertise, facilities, and financial strength to perform the contract. This determination is a critical step in the source selection process.

Sound business practice dictates that the Government conduct business only with capable contractors. Award of contracts to non-responsible contractors could affect mission readiness if the contractor fails to deliver, fails to meet delivery schedules, or fails to meet requisite quality or performance requirements. In the event a contractor defaults on a contract, the procuring activity may have lost valuable time in fulfilling a Military Service requirement. Additionally, selecting an unqualified contractor may be costly. There may be significant financial and manpower costs associated with lost time and misdirected effort. Re-procurement costs may be higher than originally planned and budgeted, especially if accelerated delivery is required to make up for lost time. If the original contract is terminated due to contractor default, the Government may have to expend an enormous amount of resources to administer contract close-out and/or settle associated claims.

Given the above, it is clearly in the Government's best interest to award contracts only to responsible contractors. One tool to assist the contracting officer in making a responsibility determination is the Preaward Survey. When a PCO does not have sufficient knowledge of a potential contractor's capabilities, he or she can request a Defense Contract Management Command (DCMC) conduct an on-site or desk survey to assess whether the prospective contractor has the requisite capability to satisfactorily complete the contract. Depending upon the information needed, the PCO may ask DCMC to assess up to twelve areas of a contractor's operation. Potential review areas are grouped into major and minor areas. The

major areas which may be reviewed during a Preaward Survey include: technical capability, production capability, quality assurance capability, financial capability and accounting system adequacy. Minor areas which may be reviewed include: Government property control, transportation, packaging, security clearance, plant safety, environmental/energy considerations, flight operations/flight safety and any other factor requested by the PCO.

Results of the Preaward Survey, along with an award or no award recommendation, are forwarded to the PCO. Preaward Survey recommendations are not binding on the PCO. The PCO is responsible for making the responsibility determination and may decide to award a contract in the face of a negative Preaward Survey. Conversely, the PCO may decide not to award a contract to a contractor who received a positive Preaward Survey.

Preaward Surveys are an integral part of the Government acquisition process, especially when the PCO has little or no knowledge about a prospective contractor's capabilities. Preaward Surveys provide the PCO with sufficient, accurate and timely information about a prospective contractor's capabilities. Often time, the Preaward Survey findings may be the only information available to assess the contractor's capabilities and likelihood of abiding by contract terms and conditions. In this case, Preaward Survey information becomes an even more critical component of the source selection process.

Knowledge of a contractor's capabilities, strengths and weaknesses facilitates sound source selection decisions. If used properly, this Preaward Survey information can also be used to lower total acquisition costs and reduce government risk during the post award surveillance and administration phase of the contract. [Ref. 34] This information can be used by both the PCO and Contract Administration Office (CAO) to tailor post-award surveillance plans based upon the contractor's capabilities and recent past performance on similar contracts. If a contractor has recently performed satisfactorily on similar government contracts, the PCO and CAO may elect to have no or minimal surveillance. Alternatively, if the contractor has a marginal record or has had specific problems in the past, the PCO and CAO may elect an increased level of monitoring or tailored surveillance of high risk areas. Used in this manner, Preaward Survey information can be a valuable tool in deciding what level of contract oversight is required to ensure

satisfactory contract performance. In addition to aiding the source selection process, the above examples indicate that Preaward Survey information can be used to reduce contract performance risk and contract administration costs.

B. OJECTIVE OF STUDY

The purpose of this thesis is to examine the Department of Defense's Preaward Survey process and assess its effectiveness as a source selection and risk management tool. This assessment will be based upon research data gathered to answer the following primary research question: What is DOD's experience with contracts awarded in the face of a negative Preaward Survey recommendation and how might this information be used to improve the source selection process? Subsidiary research questions in support of answering the primary research question are as follows:

1. What is a Preaward Survey and how are Preaward Surveys used as a source selection tool?
2. What is a Negative Preaward Survey and what are the various DOD policies with respect to awarding a contract in the face of a Negative Preaward Survey?
3. What are the relative percentages of positive and negative Preaward Survey recommendations?
4. What are the primary causes of negative Preaward Survey recommendations and what impact do they have on contract performance?
5. How closely do the reasons for contract performance failures line up with associated negative Preaward Survey recommendations?
6. Do any of the reasons for awarding a contract in the face of a negative Preaward Survey play a role in a contractor's satisfactory or unsatisfactory performance?
7. What changes to the use of Preaward Surveys are needed to enhance it as a part of the source selection process?

The overall objective of this thesis is to assess the use of negative Preaward Survey information in the acquisition process and validate its usefulness as a source selection and risk management tool. This information will help procuring and CAO personnel improve their effectiveness during source selection. Additionally, this information will improve the effectiveness of CAO personnel when administering and monitoring contracts awarded to marginal contractors (i.e., contracts awarded in the face of a negative Preaward Survey recommendation).

C. THESIS SCOPE

This thesis will provide an understanding of the Preaward Survey process, determine the major causes of negative Preaward Survey recommendations, and assess the effectiveness of negative Preaward Survey information as a source selection and risk management tool.

The primary purpose of this thesis is to examine DOD's experience with contracts awarded in the face of a negative Preaward Survey and assess how this information might be used to improve the acquisition process. This study will not address the validity of Preaward Survey requests or the effectiveness of methods used to perform Preaward Surveys. Additionally, this thesis will not investigate the effectiveness of the Small Business Administration's (SBA's) Certificate of Competency (COC) program.

D. METHODOLOGY

The following provides a brief overview of the methodology used to gather data for this study. Data presentation and a more detailed description of the study's methodology can be found in Chapter III.

Data will be collected from various Government and literary publications, Defense Contract Management Command files and interviews with CAO and procuring activity personnel. General and background information about DOD Preaward Survey processes and policies will be gathered from various Government publications, Internet "Home Pages" and literary publications. DCMD files will be used as a source to determine the relative percentages of positive and negative Preaward Survey recommendations made throughout the DCMC. Government Preaward Survey files located at DCMC Philadelphia will be used as a source to determine the major causes of negative Preaward Surveys. Interviews with procuring activity and CAO personnel will be used as a source to assess the effectiveness of Negative Preaward Surveys as a source selection and risk management tool. Specific interview questions used during this study are contained in Appendix A and Appendix B.

E. ASSUMPTIONS AND LIMITATIONS

The Defense Contract Management Command (DCMC) performs the most Preaward Surveys within the Department of Defense (DOD) and, as such, is considered to be the best source for Preaward Survey data. Defense Contract Management Command Philadelphia is a typical DCMC within DLA and their

preaward survey records provide a representative cross section of the preaward surveys performed throughout DCMC.

Defense contractors within the DCMC Philadelphia area provide a representative cross section of defense contractor capabilities within DCMC's total area of responsibility. As such, contractor performance within this area of the country is typical of contractor performance found across DCMC's other geographic areas of responsibility.

Although this study attempted to get a cross section of data from all Military Services, this study is limited to data collected from Department of the Navy, Department of the Army and Defense Logistics Agency sources. Internal Department of the Air Force regulations precluded the collection of data from U.S. Air Force Procuring Activities without specific review and consent from the Department of the Air Force. This approval was not obtained in time to include U.S. Air Force data in this study.

This study contains data collected during CAO and Procuring Activity personnel interviews. Several of the interview questions used during this research asked DOD personnel if they followed established Preaward Survey procedures and/or regulations. It is possible that some the responses to these questions were guarded or couched in terms of what these personnel were supposed to do vice what they actually practiced. No attempt was made by this study to verify the authenticity of specific responses. Therefore, this study may be limited somewhat by subjective opinions and comments rendered during personnel interviews.

In addition to the above limitations, this study was limited by the availability and quality of various Government files and records. Preaward Survey files from 1995 were selected to facilitate analysis of DOD's experience with contracts awarded in the face of a Negative Preaward Survey. In a few cases, the researcher could not gather data from Procuring Activities and DCMC due to missing or closed-out contract files.

F. DEFINITION OF TERMS

Administrative Contracting Officer (ACO): Warranted Government contracting officer responsible for post award contract administration, as defined in FAR Part 42.

Certificate of Competency: Certificate issued by the SBA stating that the holder is responsible, as defined in FAR subpart 19.104, for the purpose of receiving and performing a specific Government contract.

Contract Administration Office (CAO): Government office responsible for the administration of contracts awarded to contractors in their geographic area of responsibility.

Defense Contract Management Command (DCMC): DOD activity under DLA responsible for providing contract management services in support of the Army, Navy, and Air Force, as well as DLA buying activities, the National Aeronautics and Space Administration, other Government agencies, and foreign organizations. Typical DCMC responsibilities and services include: planning and acquisition, contractor capability and proposal review, program and technical support, contractor in-plant production surveillance and quality assurance, contractor property management surveys, negotiation of contract modifications, and contract close-out.

Defense Logistics Agency (DLA): DOD agency responsible for providing material support and contract administration services worldwide, primarily for military forces and other selected Federal activities. The broad DLA mission areas include: Supply Management, Material Warehousing and Distribution, Reutilization and Marketing, Logistics Information Management Support and Contract Management (also known as acquisition).

Preaward Survey (PAS): An evaluation by a surveying activity of a prospective contractor's capability to perform a proposed contract. PAS recommendations help the PCO make a responsibility determination and facilitates sound source selection decisions.

Preaward Survey Manager (PASM): The individual within the DCMC who is responsible for managing, planning and coordinating Preaward Surveys within the cognizance of a particular CAO.

Preaward Survey Review Board (PASRB): An advisory board within a DCMC responsible for reviewing Preaward Surveys and making recommendations to the PASM. The board is usually chaired by the Chief or Deputy Chief of the DCMC's Contract Management Division and includes highly qualified senior representatives having industrial support, quality assurance and financial analysis expertise.

Process Oriented Contract Administration Services (PROCAS): Contract administration service provided by DCMC which takes a proactive, quality oriented approach to administering contracts and strives to achieve cost saving enhancements on existing contracts. Instead of waiting to inspect an end product, PROCAS emphasizes prevention of problems and product improvement from the very early stages of product development and manufacture.

Procuring Activity: A component of an executive agency having a significant acquisition function and designated as such by the head of the agency. Synonymous with "Contracting Activity" and "Buying Activity".

Procuring Contracting Officer (PCO): Warranted individual at a procuring activity authorized to commit funds and resources on behalf of the Government. Prior to awarding a contract, this individual is responsible for ensuring the prospective contractor is a responsible contractor under the definition of FAR Subpart 9.104.

Negative Preaward Survey: A report issued by a DCMC detailing a prospective Government contractor's lack of expertise or capabilities to perform a proposed contract. As a result of negative findings in one or multiple areas, the report forwards a formal "No Award" recommendation to the PCO who requested the survey.

Responsible Contractor: A contractor that meets the standards contained in part 9.104 of the Federal Acquisition Regulation. For example, a contractor must have a satisfactory record of integrity and business ethics, adequate experience and skills, and adequate financial and production resources (or the ability to obtain them) to perform the contract.

Small Business Administration: Government activity responsible for promoting and assisting small business development. SBA has a network of nearly 100 field offices, over 13,000 volunteer counselors and more than 950 Small Business Development Centers.

G. THESIS ORGANIZATION

This thesis consists of five chapters. Chapter I provides a general introduction to the study's objective, scope, assumptions and organization. Chapter II provides background information on DCMC's

organizational structure and the Preaward Survey process. Chapter III discusses the methodology used to gather data and presents the data gathered from Government files and procuring activity and CAO personnel interviews. Chapter IV provides an analysis of the data presented in the previous chapter. The thesis' summary, conclusions and recommendations, as well as recommended areas of further research, are presented in Chapter V. Appendices A and B contain respective interview questions for CAO personnel and procuring activity personnel used during the conduct of this study. Appendix C contains a glossary of acronyms and Appendix D contains a list of selected references used in this study.

II. BACKGROUND

A. PURPOSE OF PREAWARD SURVEYS

The Armed Forces of the United States rely heavily upon the business community for the goods and services it needs to perform its mission. The types of products and services required by the Services range from relatively simple products, such as a nuts and bolts, to highly complex weapon systems, such as sophisticated fighter jets and aircraft carriers. In all cases, the products and services must be delivered on time, perform as specified and meet certain quality standards so as not to jeopardize the Department of Defense's (DOD's) mission readiness. This is especially true when products and services are procured to support critical applications. In these cases, the successful outcome of a mission or personnel safety may be at stake.

Prior to contracting for products and services, Government policy dictates that DOD Procuring Activities evaluate a prospective contractor's competence, capability and responsibility to perform the proposed contract [Ref. 115:p. 9-3]. The purpose of this policy is to assure the delivery of quality products and services at fair and reasonable prices. Within the Government, Procuring Contracting Officers (PCOs) are empowered to obligate funds and resources on behalf of the Government. The PCO also has the responsibility and authority to determine whether a prospective contractor is responsible to perform the proposed contract.

To facilitate a responsibility determination, the PCO may use information on hand at the Procuring Activity or from outside sources, such as other Government activities and/or commercially available sources. If sufficient information about a contractor's capabilities are not available, the PCO can request the Defense Contract Management Command (DCMC) to perform a Preaward Survey. The primary purpose of a Preaward Survey is to assess a contractor's capabilities to perform on a particular contract. The Preaward Survey can assess virtually every facet of a contractor's business or it can be tailored to the specific needs of a PCO. Typically, the major factors evaluated during a Preaward Survey include

technical, production, quality assurance, and financial capabilities. Upon completion of the survey, a Preaward Survey report is forwarded to the PCO. This report contains detailed findings on all capability factors evaluated and contains an "Award" or "No Award" recommendation. The actual award decision and authority resides with the PCO.

B. DEFENSE CONTRACT MANAGEMENT COMMAND ORGANIZATION AND MISSION

As discussed above, the Preaward Survey process performs a valuable role in the acquisition process. The majority of Preaward Surveys performed within DOD are conducted by Contract Administration Offices (CAOs) under the cognizance of the Defense Logistic Agency's (DLA's) Defense Contract Management Command (DCMC). The following provides background information on DCMC's organization, mission and responsibilities.

The Defense Contract Management Command (DCMC) is a major element of DLA, with headquarters located in Fort Belvoir, Virginia. DCMC's mission is to provide worldwide Contract Administration Services (CAS) in support of the Military Services, National Aeronautics and Space Administration (NASA) and other Federal Agencies. In addition to providing CAS to domestic customers, DCMC provides services for foreign governments and international organizations. DCMC provides customers with a full range of preaward contract management and post-award contract management services. Specific services include: acquisition planning , contractor capability reviews (Preaward Surveys), contractor property management reviews, proposal reviews, program support, technical support, in-plant production surveillance, quality assurance, negotiation of contract modifications and contract close-out. [Ref. 114:pp. 6-7]

DCMC is organized into three Defense Contract Management Districts (DCMDs), with each District responsible for providing contract management services within a geographic area of responsibility. DCMD East, with headquarters in Boston Massachusetts, is responsible for managing contracts within the eastern half of the United States. The western portion of the United States is serviced by DCMD West. DCMD West's headquarters is located in Los Angeles California. DCMD International, with headquarters in Fort Belvoir, Virginia, is responsible for all contracts performed in overseas facilities. In addition to the

three districts, DCMC maintains 81 Contract Administration Offices (CAOs) located throughout the world. Approximately half of these offices are located in individual contractor plants. Formerly known as Defense Plant Representative Offices, these on-site DCMC offices are responsible for contracts at that particular contractor's site. The remaining DCMC offices service multiple contracts in designated geographic areas.

A typical DCMC office is organized into the following five business groups under a Commander and Deputy Commander: Small Business Office, Office of Counsel, Management Support Group, Operations Group, and Technical Assessment Group. The Small Business office provides support to small businesses within the DCMC's area of responsibility and encourages small business participation in DOD acquisitions. The office of Counsel provides legal counsel primarily to the Commander, Team leaders, and ACOs. The Management Support Group is responsible for administrative and information management services. The main groups within the DCMC office that provide contract management services are the Operations Group and the Technical Assessment Group.

The Operations Group utilizes teams of multi-functional specialists to provide a wide range of contract management services. The teams are responsible for contract management within a specified geographic area. Team members include Administrative Contracting Officers (ACOs), Contract Administrators, Contract Management Analysts, Industrial Specialists and Quality Assurance Specialists. Team leaders are chosen based upon their management ability and broad range of experience and can come from any of the functional areas listed above. Teams under the Operations Group are primarily responsible for post-award administration and surveillance.

The Technical Assessment Group is responsible for more specialized contract management services. This Group is comprised of the Preaward Survey Manager, Government Property specialists, Transportation and Packaging specialists, Termination Contracting Officers (TCOs), Quality Assurance staff personnel, engineers, specialized safety specialists, and cost/price analysts. The Technical Assessment Group is responsible for performing Preaward Surveys, pricing reviews, technical assessments, contract administration on terminated contracts, Progress Payment reviews, specialized safety reviews,

Government Property Control reviews and industrial base assessments. In addition to these functions, the Technical Assessment Group provides support to DCMC's Operation Group and field Quality Assurance Representatives.

Within DCMC's Technical Assessment Group, the Preaward Survey Manager (PASM) is responsible for the conduct of all Preaward Surveys performed at the Contact Administration Office (CAO). The breadth of Preaward Surveys can be quite extensive and can require participation from a wide range of functional specialists. As such, one of the main responsibilities of the PASM is to coordinate the actions of a multi-disciplinary Preaward Survey team, as well as coordinate and schedule Preaward Surveys at numerous contractor facilities. These actions must be accomplished efficiently to ensure that Preaward Surveys are completed by customer need dates.

C. PREAWARD SURVEY PROCEDURES

As discussed previously, the Procuring Contracting Officer (PCO) must ensure that a prospective contractor is capable of performing satisfactorily on a Government contract prior to making a contract award. When information is not available on hand to facilitate a responsibility determination, the PCO can request that DCMC perform a Preaward Survey on the prospective Government contractor. To start the process, the PCO will submit a Standard Form (SF) 1403, Preaward Survey of Prospective Contractor, to the DCMC office assigned responsibility for managing contracts within the geographic proximity of the prospective contractor. The Procuring Activity lists all pertinent data on the Preaward Survey request form, such as solicitation number, proposed contract value, name, location and business size of the prospective contractor, points of contact, need date, and items being procured. In addition to this critical background information, the Procuring Activity indicates the factors which should be evaluated during the Preaward Survey and any special instructions or concerns. A copy of the solicitation should be attached to the Preaward Survey request to facilitate the evaluation of the prospective contractor's capability to perform on the proposed contract.

The most frequently requested factors for evaluation are Technical capability, Production capability, Quality Assurance capability and Financial capability. PCOs request accounting system and specialized

reviews less frequently. Accounting system reviews are normally requested on proposed cost-reimbursement type contracts or fixed-price type contracts with special financial assistance provisions such as progress payments. Under these circumstances, a prospective contractor must have an adequate accounting system which is capable of tracking and segregating costs. The specialized reviews include an assessment of the prospective contractor's Government Property Control procedures, Transportation and Packaging capability, security controls and safety programs. These specialized reviews are performed on an as needed basis.

Depending upon the scope of the Preaward Survey, numerous personnel from muli-disciplines may be required to perform portions of the Preaward Survey. Preaward Surveys on highly complex and technical requirements are costly and time consuming. These type surveys may require participation by ACOs, Contract Administrators, Industrial Specialists, Quality Assurance Specialists, technical engineers, cost/price analysts and/or other functional specialists. In addition to DCMC participation, the PCO and Procuring Activity technical representatives may participate in the Survey. The Federal Acquisition Regulation encourages PCOs to tailor their Preaward Survey requests, where appropriate, to only those factors or areas that are needed to support the responsibility determination and procurement [Ref. 115:p. 9-4]. This helps ensure that limited resources are employed effectively and lowers total acquisition costs.

In addition to performing formal Preaward Surveys at a contractor's facility, DCMC can perform a "Desk" Survey to obtain information from on-hand files, other Government and/or commercially available sources. If there is sufficient information on-hand, DCMCs are encouraged to use this information to satisfy a Procuring Activity's request for contractor capability information. This practice avoids a costly formal Preaward Survey and frees-up scarce resources to satisfy other customer requirements. Additionally, the use of "Desk" Surveys provides information more quickly to the PCO and may reduce the Procuring Activity's Procurement Administrative Lead Time (PALT).

In light of the expense of Preaward Surveys, the Federal Acquisition Regulation (FAR) recognizes that it is not cost effective to perform Preaward Surveys on proposed low dollar value contracts in support of non-critical requirements. Specifically, the FAR states that when the proposed contract will have a fixed

price at/or below $100,000 or will involve the acquisition of commercial items, the PCO should not request a Preaward Survey unless circumstances justify its cost. [Ref. 115:P. 9-3]. Adherence to this policy helps ensure that DCMC resources are used effectively.

Timely turn-around of Preaward Surveys is one of DCMC's highest priorities. Per the FAR, DCMC should normally complete the Preaward Survey within seven working days after receipt. [Ref. 115:p. 9-4] Although seven days is not much time to gather data, analyze the data and draft a formal report, some PCOs state that a seven day turn-around is not always responsive to their needs. In some cases PCOs need this information sooner to meet critical acquisition schedules and requirements. Conversely, several PASMs have indicated that it takes approximately 15 days to complete a high quality, professional Preaward Survey and approximately 30 days if a secondary survey is required on subcontractors.

Upon completion of the Preaward Survey, the PASM forwards the report to the PCO with an "Award" or "No Award" recommendation based upon the survey findings. If the prospective contractor had all factors rated positive with the exception of one negative factor, the contractor will be found to be non-responsible. It should be noted that the Preaward Survey contains a recommendation from DCMC and that it is not binding on the PCO. The PCO makes the final responsibility determination. As such, the PCO may override a Negative Survey or elect not to award to a contractor who received an "Award" recommendation.

D. RESPONSIBILITY DETERMINATION

Before making a contract award, the PCO must ensure that the prospective contractor meets the general standards of responsibility in FAR Subpart 9.104-1. To be eligible for award of a Government contract, a prospective contractor must have the necessary production equipment and facilities, organization, management, technical skills, and financial resources to complete the contract. Additionally, the prospective contractor must have a satisfactory performance, integrity and business ethics record. If the prospective contractor currently does not have a required capability, the contractor must demonstrate the ability to acquire the necessary capability. [Ref. 115:p. 9-1] For instance, a contractor may not have a required machine or certified manufacturing process. The lack of these capabilities does not necessarily

make that contractor non-responsible. The contractor could demonstrate responsibility by obtaining those capabilities via a subcontractor. Another common example surrounds a prospective contractor's financial capability. Many small businesses do not have sufficient assets or working capital on hand to perform on larger sized Government contracts. Thus, those small businesses tend to get a disproportionately high rate of Negative Preaward Surveys due to inadequate financial capability. Even though their working capital is judged to be unsatisfactory, these contractors could be deemed responsible if they furnish documentation of financial backing from a parent company or letters of credit from a financial institution.

Preaward Surveys help facilitate responsibility determinations and are a key element in the source selection process. However, it should be noted that the Preaward Survey recommendation is non-binding on the PCO. Prior to making a final responsibility determination, the PCO weighs the Preaward Survey findings and all relevant facts surrounding the procurement. The contractor's capabilities may have changed for the better or worse after issuance of the Preaward Survey. Additionally the company may have aggressively pursued corrective actions after issuance of a Negative Preaward Survey or the contractor may have furnished updated, favorable information about their capabilities. Receipt of this new information may make the contractor eligible for award of the contract.

E. PREAWARD SURVEY POLICIES

There are no regulations or Service policies which prevent the PCO from making an award in the face of a Negative Preaward Survey. The PCO is empowered to obligate funds on behalf of the Government and has a fiduciary responsibility to ensure that only capable, responsible and responsive contractors receive Government contracts. Per the Federal Acquisition Regulation, the PCO's signing of the contract constitutes a determination that the prospective contractor is responsible with respect to that contract [Ref. 115:p. 9-3]. In addition to signing the contract, the PCO is required to document all information used to determine a contractor's responsibility. To satisfy this requirement, the PCO may use contractor capability information obtained via a formal or "Desk" Preaward Survey, internal Procuring Activity records, other Government agencies, various contractor suspension, debarment, ineligibility and alert lists, and/or commercially available sources.

In addition to supporting a determination of responsibility in the contract file, some Procuring Activities may require management review of the PCO's decision under certain circumstances. For instance, some Procuring Activities require the PCO to obtain approval from the Activity's Chief of Contracting prior to overriding a Negative Preaward Survey or awarding a contract to a contractor with a history of poor performance. Additionally, these local regulations may require the PCO to obtain counsel from the Activity's legal staff and cognizant functional specialists prior to contract award. The purpose of these management and functional specialist reviews is to ensure all pertinent facts surrounding the proposed award have been considered and to ensure that the PCO's decision is legally sound and prudent.

F. SMALL BUSINESS ADMINISTRATION CERTIFICATE OF COMPETENCY PROGRAM

The Federal Acquisition Regulation imposes special rules and procedures whenever a PCO determines a small business is non-responsible for reasons other than ineligibility, debarment or suspension [Ref. 115:p. 9-3]. Under these circumstances, the PCO does not possess final authority for making the responsibility determination. The procurement process must be stopped and all pertinent information about the proposed contract and supporting non-responsibility documentation must be forwarded to the cognizant SBA Regional Office. Upon receipt of this information, the SBA office notifies the prospective contractor that the Procuring Activity found them to be non-responsible. The SBA Office then offers the prospective contractor the opportunity to apply for a SBA Certificate of Competency (COC). The COC document is SBA's certification that the prospective contractor is responsible to perform the proposed contract.

If the prospective contractor believes that they are capable of performing the contract and elects to pursue a COC, the SBA Office will perform a capability survey on the contractor. This capability survey is similar to the Preaward Survey performed by DCMC. It assesses the prospective contractor's capability, competency, capacity, credit and integrity for the purpose of performing on the proposed contract. It does not, however, assess whether the prospective contractor is currently debarred, suspended or otherwise ineligible to receive a Government contract.

Upon completion of the SBA capability survey, the SBA Regional Office will notify the prospective contractor and the PCO of the results. If SBA plans on issuing a COC, the SBA Office will notify the

PCO of this intention and provide a brief statement of its rationale for the decision. If the PCO disagrees with the SBA's COC decision, the PCO has two opportunities to overturn SBA's COC. The first opportunity is via an appeal to the SBA Regional Office. If this appeal is not successful, the last opportunity to overturn SBA's COC decision is via an appeal to the SBA Central Office. The final decision with respect to the issuance or denial of a COC resides with SBA. By regulation, the SBA COC is conclusive with the prospective contractor's responsibility. Under these circumstances the PCO must award a contract to a small business possessing a SBA COC, even if the award is made in the face of a PCO non-responsibility determination.

G. SUMMARY

Government policy dictates that only capable and responsible contractors receive Government contracts. Prior to award, the PCO is responsible for ensuring that the prospective contractor has the capabilities to perform on the proposed contract. When sufficient information about a contractor's capabilities is not on-hand, the PCO can request that DCMC perform a Preaward Survey on the prospective contractor. These surveys can assess a wide range of contractor capabilities, such as production , technical, quality assurance and financial capabilities. Formal Preaward Surveys are labor intensive and costly, especially if are large number of capability factors need evaluation. Therefore, the Federal Acquisition Regulation encourages PCOs to tailor their requests, where appropriate, to only those factors or areas that are needed to support the responsibility determination and procurement. Additionally, PCOs should only request a Preaward Survey when its cost is justified.

The following Chapter discusses the methodology used to collect data for this study and presents the resulting research data.

III. METHODOLOGY AND DATA PRESENTATION

A. GENERAL

This chapter outlines the methodology used to conduct the research and presents the resulting research data. Analysis and interpretation of these data are included in Chapter IV.

The purpose of this research is to examine the Department of Defense's experience with contracts awarded in the face of a negative Preaward Survey and assess the effectiveness of the Preaward Survey process as a source selection and risk management tool. To accomplish this goal, the thesis attempts to answer the primary and subsidiary research questions presented in Chapter I.

Data for this study were collected in five phases. The first phase consisted of a review of various Government and literature publications to gather background information on Preaward Survey policies, procedures and processes. Specific areas reviewed include the use of Preaward Surveys during source selection and policies governing the award of contracts in the face of a Negative Preaward Survey. The majority of data collected during this phase was used as background information during the course of this study. As such, the results of this research are presented in Chapter II with the rest of the background information on the Preaward Surveys.

The second phase of data collection consisted of a review of Defense Contract Management District East (DCMDE) Preaward Survey files. Review of DCMDE top level metrics reports generated historical data on the total number of Positive and Negative Preaward Surveys conducted within the three DCMC Districts between March 1995 and December 1996. These data are presented in Chapter III. This information yielded the answer to research question number 3: What are the relative percentages of Positive and Negative Preaward Survey recommendations? Additionally, these data were used to select a representative DCMC office to conduct more in-depth research and data collection.

The third and fourth phases of data collection consisted of interviews with various Contract Administration Offices (CAO) and Procuring Activity personnel. Data collected during these interviews were used to gain insight into the effectiveness of the Preaward Survey process and its usefulness as a source selection and risk management tool. Data collected during CAO and Procuring Activity interviews are grouped and presented separately to facilitate a comparison of responses between those responsible for post-award administration and those responsible for preaward actions. Interview responses were used to determine the primary causes of Negative Preaward Survey recommendations and their impact on contract performance. Additionally, the responses were used to determine the reasons why PCOs award a contract in the face of a Negative Preaward Survey recommendation and to assess the correlation of contractor performance under those circumstances with Negative Preaward Survey findings. These data will be used to answer research questions 3 through 7. Data generated during this phase of data collection are presented in Chapter III.

The fifth and last phase of data collection consisted of a detailed review of DCMC Philadelphia's 1995 Preaward Survey files. Data generated during this phase were used to determine the actual frequency and causes of negative Preaward Survey recommendations at a representative DCMC office. Additionally, data obtained from DCMC Philadelphia's Negative Preaward Survey files were used to conduct follow-up research with Procuring Activity and CAO personnel. Data collected from follow-up research were used to validate CAO and Procuring Activity interview responses to research questions 4, 5 and 6.

As discussed above, data collected during the first phase is contained in Chapter II. Data generated from the second through fifth phases of data collection are contained in this chapter and are organized by data source. Data are presented in the following order: (1) DCMD historical Preaward Survey statistics, (2) DCMC Philadelphia Preaward Survey statistics, (3) CAO personnel interview data, and (4) Procuring Activity interview data. Presentation of data by source facilitates comparison of CAO personnel responses with Procuring Activity responses. Additionally, presentation of data by source enables one to compare/validate DOD personnel perceptions with actual data generated from DCMC Philadelphia's Preaward Survey files and follow-up interviews. An analysis of these data is contained in Chapter IV. In

that Chapter, the data will be presented in a fashion which facilitates analysis of the specific research questions.

B. DEFENSE CONTRACT MANAGEMENT DISTRICT PREAWARD SURVEY STATISTICS

This section of chapter III presents data contained from top level DCMD Preaward Survey reporting metrics. The purpose of collecting these data is to determine the total numer of Preaward Surveys conducted by DCMC, the relative percentages of positive and negative Preaward Survey recommendations and the respective Preaward Survey workload at individual DCMCs. Additionally, this information was used to select a representative DCMC to facilitate more in-depth Preward Survey data collection and follow-up research.

Tables 1 and 2 depict the total number of Preaward Surveys conducted by the three DCMC Districts in 1995 and 1996 respectively. (Table 1 reflects data collected from March 1995 through December 1995. March 1995 was the first month the Defense Logistics Agency (DLA) converted their Preaward Survey reporting requirements to a top level metrics system. Therefore, this study will only present historical Preaward Survey data for the last 10 months of 1995). As presented in Tables 1 and 2, DCMC conducted over seven thousand one hundred Preaward Surveys between March 1995 and December 1996 with the largest majority of surveys performed within DCMC's East District (DCMDE). Across all three Districts, the percentage of negative Preaward Survey recommendations in both 1995 and 1996 was 23 percent. During both reporting periods, the highest percentage of negative recommendations reported by a District was 26 percent and the lowest percentage was 17 percent. Of note, DCMDE had the highest percentage of negative recommendations in 1995 and was tied with DCMC's International District (DCMDI) for the highest percentage of negative recommendations in 1996. The relative percentage of negative recommendations for DCMDE and DCMC District West (DCMDW) did not vary significantly between 1995 and 1996. The greatest fluctuation in the relative percentage of negative recommendations occurred within DCMC's International District (DCMDI). The variation in DCMDI's statistics is attributed to the relatively low percentage of Preaward Surveys performed by DCMDI. Any variation in either the number

TABLE 1

TOTAL PREAWARD SURVEY BY DEFENSE CONTRACT MANAGEMENT DISTRICT
MARCH 1995 to DECEMBER 1995

DISTRICT	TOTAL PAS	POS PAS	% POS	NEG PAS	% NEG
DCMDE	2,019	1,484	74%	535	26%
DCMDW	1,482	1,182	80%	300	20%
DCMDI	213	177	83%	36	17%
TOTAL	3,714	2,843	77%	871	23%

[Source: DCMC Records]

TABLE 2

TOTAL PREAWARD SURVEY BY DEFENSE CONTRACT MANAGEMENT DISTRICT IN 1996

DISTRICT	TOTAL PAS	POS PAS	% POS	NEG PAS	% NEG
DCMDE	1,818	1,339	74%	479	26%
DCMDW	1,346	1,118	83%	228	17%
DCMDI	246	183	74%	63	26%
TOTAL	3,410	2,640	77%	770	23%

[Source: DCMC Records]

TABLE 3

TOTAL PREAWARD SURVEY BY DEFENSE CONTRACT MANAGEMENT DISTRICT EAST
MARCH 1995 to DECEMBER 1995

DCMC	TOTAL PAS	POS PAS	% POS	NEG PAS	% NEG
ORLANDO	107	72	67%	35	33%
RAYTHEON	5	5	100%	0	0%
LONG ISLAND	119	82	69%	37	31%
BIRMINGHAM	111	78	70%	33	30%
GRUM ST AUG	0	0	N/A	0	N/A
GRUM MELBO	0	0	N/A	0	N/A
LOCKHEED MA	11	11	100%	0	0%
MICHOUD-STEN	0	0	N/A	0	N/A
CLEARWATER	96	69	72%	27	28%
PRATT & WHITN	0	0	N/A	0	N/A
BOST0N	105	90	86%	15	14%
HARTFORD	94	59	63%	35	37%
SYRACUSE	50	47	94%	3	6%
HAMILTON STD	0	0	N/A	0	N/A
GEN ELECTRIC	0	0	N/A	0	N/A
GRUMM BETHP	0	0	N/A	0	N/A
SIKORSKY	0	0	N/A	0	N/A
INDIANAPOLIS	39	31	79%	8	21%
GRAND RAPIDS	23	13	57%	10	43%
CLEVELAND	50	34	68%	16	32%
DAYTON	99	79	80%	20	20%
DETROIT	68	53	78%	15	22%
GENL DYNAMIC	0	0	N/A	0	N/A
UNITED DEFEN	0	0	N/A	0	N/A
NEW YORK	46	33	72%	13	28%
SPRINGFIELD	118	86	73%	32	27%
ALLIED SIGNAL	0	0	N/A	0	N/A
STRATFORD	26	21	81%	5	19%
BALTIMORE	355	277	78%	78	22%
READING	44	32	73%	12	27%
PITTSBURGH	68	58	85%	10	15%
PHILADELPHIA	164	101	62%	63	38%
WESTINGHOUS	4	4	100%	0	0%
BOEING HELI	0	0	N/A	0	N/A
PEMCO	0	0	N/A	0	N/A
ATLANTA	217	149	69%	68	31%
APMO GA	0	0	N/A	0	N/A
CCMO WASH	0	0	N/A	0	N/A
LORAL DEFEN	0	0	N/A	0	N/A
TOTAL DCMDE	2,019	1,484	74%	535	26%

[Source: DCMC Records]

TABLE 4

TOTAL PREAWARD SURVEY BY DEFENSE CONTRACT MANAGEMENT DISTRICT WEST
MARCH 1995 to DECEMBER 1995

DCMC	TOTAL PAS	POS PAS	% POS	NEG PAS	% NEG
CHICAGO	125	95	76%	30	24%
SAN ANTONIO	138	101	73%	37	27%
VAN NUYS	175	135	77%	40	23%
LOCKHEED MA	2	2	100%	0	0%
PHOENIX MESA	0	0	N/A	0	N/A
DALLAS	165	124	75%	41	25%
PHOENIX	169	157	93%	12	7%
E-SYSTEMS GR	1	1	100%	0	0%
TEXAS INSTRU	5	5	100%	0	0%
LORAL VOUGHT	0	0	N/A	0	N/A
HUGHES TUSC	9	9	100%	0	0%
STEWERT & ST	0	0	N/A	0	N/A
SANTA ANA	149	120	81%	29	19%
McDONNELL D	2	2	100%	0	0%
SAN DIEGO	60	53	88%	7	12%
SAN FRANCISC	130	104	80%	26	20%
BOEING SEA	2	2	100%	0	0%
SEATTLE	73	54	74%	19	26%
HUGHES LA	0	0	N/A	0	N/A
ROCKWELL C	0	0	N/A	0	N/A
NORTHROP GR	0	0	N/A	0	N/A
BOEING WITCHI	0	0	N/A	0	N/A
DENVER	96	81	84%	15	16%
THIOKOL	9	9	100%	0	0%
BELL HELICO T	0	0	N/A	0	N/A
McDONNELL D	0	0	N/A	0	N/A
ST LOUIS	84	49	58%	35	42%
TWIN CITIES	49	43	88%	6	12%
WITCHITA	39	36	92%	3	8%
TOTAL DCMDW	1,482	1,182	80%	300	20%

[Source: DCMC Records]

TABLE 5

TOTAL PREAWARD SURVEY
DEFENSE CONTRACT MANAGEMENT DISTRICT INTERNATIONAL
MARCH 1995 to DECEMBER 1995

DCMC	TOTAL PAS	POS PAS	% POS	NEG PAS	% NEG
AUSTRALIA	0	0	N/A	0	N/A
BRUSSELS	8	7	88%	1	13%
ISRAEL	10	8	80%	2	20%
KOREA	24	16	67%	8	33%
PUERTO RICO	14	12	86%	2	14%
ANKARA	30	27	90%	3	10%
SAUDI LA	2	1	50%	1	50%
KUALA LUMPUR	4	3	75%	1	25%
SAUDI ARABIA	0	0	N/A	0	N/A
AMERICAS	26	24	92%	2	8%
NORTH EUR	15	11	73%	4	27%
SOUTH EUR	55	52	95%	3	5%
PACIFIC	25	16	64%	9	36%
TOTAL DCMDI	213	177	83%	36	17%

[Source: DCMC Records]

TABLE 6

TOTAL PREAWARD SURVEY
BY DEFENSE CONTRACT MANAGEMENT DISTRICT EAST IN 1996

DCMC	TOTAL PAS	POS PAS	% POS	NEG PAS	% NEG
ORLANDO	83	74	89%	9	11%
RAYTHEON	4	4	100%	0	0%
LONG ISLAND	109	72	66%	37	34%
BIRMINGHAM	99	57	58%	42	42%
GRUM ST AUG	0	0	N/A	0	N/A
GRUM MELBO	0	0	N/A	0	N/A
LOCKHEED MA	11	11	100%	0	0%
MICHOUD-STEN	0	0	N/A	0	N/A
CLEARWATER	87	56	64%	31	36%
PRATT & WHITN	0	0	N/A	0	N/A
BOSTON	100	72	72%	28	28%
HARTFORD	105	81	77%	24	23%
SYRACUSE	31	26	84%	5	16%
HAMILTON STD	0	0	N/A	0	N/A
GEN ELECTRIC	0	0	N/A	0	N/A
GRUMM BETHP	0	0	N/A	0	N/A
SIKORSKY	0	0	N/A	0	N/A
INDIANAPOLIS	21	19	90%	2	10%
GRAND RAPIDS	18	14	78%	4	22%
CLEVELAND	64	40	63%	24	38%
DAYTON	112	86	77%	26	23%
DETROIT	75	55	73%	20	27%
GENL DYNAMIC	0	0	N/A	0	N/A
UNITED DEFEN	0	0	N/A	0	N/A
NEW YORK	73	61	84%	12	16%
SPRINGFIELD	96	80	83%	16	17%
ALLIED SIGNAL	1	1	N/A	0	N/A
STRATFORD	23	16	70%	7	30%
BALTIMORE	294	208	71%	86	29%
READING	47	35	74%	12	26%
PITTSBURGH	56	44	79%	12	21%
PHILADELPHIA	131	86	66%	45	34%
WESTINGHOUS	2	2	100%	0	0%
BOEING HELI	0	0	N/A	0	N/A
PEMCO	0	0	N/A	0	N/A
ATLANTA	176	139	79%	37	21%
APMO GA	0	0	N/A	0	N/A
CCMO WASH	0	0	N/A	0	N/A
LORAL DEFEN	0	0	N/A	0	N/A
TOTAL DCMDE	1,818	1,339	74%	479	26%

[Source: DCMC Records]

TABLE 7

TOTAL PREAWARD SURVEY
BY DEFENSE CONTRACT MANAGEMENT DISTRICT WEST IN 1996

DCMC	TOTAL PAS	POS PAS	% POS	NEG PAS	% NEG
CHICAGO	170	146	86%	24	14%
SAN ANTONIO	137	114	83%	23	17%
VAN NUYS	120	102	85%	18	15%
LOCKHEED MA	0	0	N/A	0	N/A
PHOENIX MESA	0	0	N/A	0	N/A
DALLAS	127	103	81%	24	19%
PHOENIX	169	144	85%	25	15%
E-SYSTEMS GR	0	0	N/A	0	N/A
TEXAS INSTRU	1	1	100%	0	0%
LORAL VOUGHT	0	0	N/A	0	N/A
HUGHES TUSC	0	0	N/A	0	N/A
STEWERT & ST	2	2	N/A	0	N/A
SANTA ANA	113	90	80%	23	20%
McDONNELL D	2	1	50%	1	50%
SAN DIEGO	35	33	94%	2	6%
SAN FRANCISC	184	139	76%	45	24%
BOEING SEA	8	8	100%	0	0%
SEATTLE	82	68	83%	14	17%
HUGHES LA	2	2	N/A	0	N/A
ROCKWELL C	0	0	N/A	0	N/A
NORTHROP GR	0	0	N/A	0	N/A
BOEING WITCHI	0	0	N/A	0	N/A
DENVER	71	63	89%	8	11%
THIOKOL	7	7	100%	0	0%
BELL HELICO T	0	0	N/A	0	N/A
ST LOUIS	63	46	73%	17	27%
TWIN CITIES	35	31	89%	4	11%
WITCHITA	18	18	100%	0	0%
TOTAL DCMDW	1,346	1,118	83%	228	17%

[Source: DCMC Records]

TABLE 8

TOTAL PREAWARD SURVEY
BY DEFENSE CONTRACT MANAGEMENT DISTRICT INTERNATIONAL IN 1996

DCMC	TOTAL PAS	POS PAS	% POS	NEG PAS	% NEG
AUSTRALIA	1	1	100%	0	0%
BRUSSELS	1	1	100%	0	0%
ISRAEL	1	1	100%	0	0%
KOREA	12	2	17%	10	83%
PUERTO RICO	1	1	100%	0	0%
ANKARA	0	0	N/A	0	N/A
SAUDI LA	0	0	N/A	0	N/A
KUALA LUMPUR	1	1	100%	0	0%
AMERICAS	55	42	76%	13	24%
SAUDI ARABIA	1	1	100%	0	0%
NORTH EUR	11	9	82%	2	18%
SOUTH EUR	118	101	86%	17	14%
PACIFIC	44	23	52%	21	48%
TOTAL DCMDI	246	183	74%	63	26%

[Source: DCMC Records]

duplication of a formal Preaward Survey with a "phone" survey. [Ref. 106] Given the above data and the large number of Preaward Surveys conducted, DCMC Philadelphia was judged to be a representative DCMC.

C. DEFENSE CONTRACT MANAGEMENT COMMAND PREAWARD SURVEY DATA

This section presents data obtained from DCMC Philadelphia's 1995 Preaward Survey files and follow-up interviews with Procuring Activity and CAO personnel. The purpose of collecting these data is to determine the actual frequency and primary causes of negative Preaward Survey recommendations at a representative DCMC office. Additionally, these data were collected to determine the reasons why Procuring Contracting Officers (PCOs) award a contract in the face of a negative Preaward Survey recommendation, and to facilitate an analysis of contractor performance under those circumstances.

As discussed above, DCMC Philadelphia was selected as a representative DCMC based upon their Preaward Survey statistics and the large number of Preawards performed at that Command. It was determined that Preaward Survey files from 1995 would provide the best source of data to facilitate an examination of DOD's experience with contracts awarded in the face of a Negative Preaward Survey recommendation. Selecting more current periods would yield sufficient data on the frequency of Negative Preaward Survey recommendations and their causes, but would not allow sufficient time to pass for the contractor to accumulate a performance history under a contract awarded in the face of a Negative Preaward Survey recommendation. Selecting files older than 1995 poses the risk that the associated contract files would be closed out and not readily accessible for review and analysis. Therefore, 1995 Preaward Survey files were chosen to allow the contractor ample time to perform (or generate some performance history) and to increase the probability that associated contract files were still accessible.

DCMC Philadelphia conducted a total of 202 Preaward Surveys during calendar year 1995. As part of this study, the following variables were recorded for each Preaward Survey conducted in 1995:

1. Survey Serial Number
2. Survey Type (Preaward or General Purpose)

3. Preaward Survey Recommendation
4. Whether the Survey was canceled prior to completion
5. Whether the prospective contractor declined to participate in the Survey
6. Dollar Value of the proposed contract
7. Whether the requesting activity justified the need for a low dollar Survey (<$25K)
8. Type contract (Fixed-Price or Cost-Reimbursement)
9. Whether the proposed contract contained financing assistance (Progress Payments)
10. Whether the prospective contractor was a large or small business
11. The factors requested to be evaluated
12. Results of each factor evaluated

The following presents a discussion of the Preaward Survey factors reviewed. The Survey number was recorded to facilitate follow-up review and to ensure no records were duplicated. Survey Type refers to the type of survey requested. DCMC generally performs two types of Surveys, a Preaward Survey and a General Purpose Survey (sometimes referred to as a Capability Survey). The Preaward Survey is a detailed review of a prospective contractor's capabilities to perform on a proposed contract. This type of survey makes a specific "award" or "no award" recommendation. General Purpose Surveys assess the contractor's general capabilities and do not assess its capabilities to perform on a specific contract. It is important to separate the two types of surveys. General Purpose Surveys were annotated to exclude them from calculations of Preaward Survey recommendation percentages. Including General Purpose Surveys in the total base of surveys conducted would skew the data. Likewise, the number of Surveys canceled prior to completion were recorded to ensure an accurate calculation of recommendation percentages. Whether or not a contractor declined to participate in the Survey or subsequently withdrew their bid/offer was recorded to determine if there are any significant trends of indiscriminate bidding.

The proposed dollar value of the contract and justification of low dollar Preaward Survey requests were recorded to determine if there were any unfavorable trends in those areas. The type contract and whether or not financial assistance provisions are contained in the proposed contract were recorded to

determine if they had any bearing on the Preaward Survey recommendation and subsequent contractor performance.

The factors requested and results of each factor requested were recorded to determine the major causes of negative Preaward Survey recommendations. This information will also be used during follow-up research on contracts awarded in the face of a negative Preaward Survey recommendation. Additionally, this information will be used to determine if there is a correlation between a contractor's performance and the findings contained in negative Preaward Survey recommendations.

The following section presents the data collected during the Preaward Survey file review. Table 9 provides a summary of surveys performed by DCMC Philadelphia in 1995. As indicated in this Table, DCMC Philadelphia conducted a total of 152 Preaward Surveys and 41 General Purpose Surveys during this period. Excluding General Purpose Surveys and canceled surveys, DCMC Philadelphia's Negative Preaward Survey recommendation rate in 1995 was approximately 45 percent.

Data concerning the dollar value of proposed contracts are contained in Table 10. This Table categorizes Preaward Surveys by proposed contract value. This Table presents these data at a total number of surveys conducted level, as well as at the Preaward Survey recommendation level. The average proposed contract value for all Preaward Surveys conducted in 1995 was approximately $9.3 million. In this particular case, the average proposed contract value is misleading. During 1995, DCMC Philadelphia conducted over 16 Preaward Surveys with proposed contracts exceeding $10 million. Six of these surveys were valued at over $50 million with the highest proposed value being in excess of $410 million. These large dollar value surveys skew the data and raise the overall average. As indicated in this Table, the median dollar value of proposed contracts is approximately $127 thousand, much lower than the average. These data reflect that the majority of Preaward Surveys conducted at DCMC Philadelphia are for proposed contract values between $25 thousand and $100 thousand.

The bottom portion of Table 10 presents the proposed dollar value for all Preaward Surveys in which the prospective contractor declined to participate in the Survey. This category of data represents a subset of data contained in the Negative Preaward Survey category. As such, it is not added to either the

TABLE 9

SUMMARY OF DEFENSE CONTRACT MANAGEMENT COMMAND PHILADELPHIA
1995 PREAWARD SURVEY FILES

TYPE REQUESTED	TOTAL	POS PAS	PCT POS	NEG PAS	PCT NEG
PREAWARD	152	84	55.3%	68	44.7%
GENERAL PURPOSE	41	N/A	N/A	N/A	N/A
CANCELED PAS	9	N/A	N/A	N/A	N/A
TOTAL	202	84	N/A	68	N/A

[Source: DCMC Philadelphia Records]

TABLE 10

DOLLAR VALUE OF PROPOSED CONTRACTS

TYPE	TOTAL	AVERAGE $ VALUE	MEDIAN $ VALUE	NUMBER <$25K	NUMBER $25 -100K	NUMBER $100-250K	NUMBER $250-500K	NUMBER $500K-$1M	NUMBER $1M-$5M	NUMBER $5M-$10M	NUMBER >$10M
POSITIVE PAS	84	14,381,519	151,944	11	23	11	7	9	9	0	9
NEGATIVE PAS	68	3,460,619	53,291	21	16	10	1	4	6	3	7
TOTAL	152	9,326,573	126,725	32	39	21	8	13	15	3	16
# DECLINED TO PARTIC (Subset of Neg PAS)	15	44,368	35,227	6	8	1	0	0	0	0	0

[Source: DCMC Philadelphia Records]

Negative category or Total category data. The data in this subset indicate that prospective contractors declined to participate in a total of 15 Preaward Surveys or approximately 10 percent of all surveys conducted in 1995. Additionally, these data indicate that 93 percent of these surveys had a proposed contract value of less than $100 thousand and that the median contract value was approximately $35 thousand. It should be noted that declining to participate in a Preaward Survey results in an automatic Negative Preaward Survey recommendation. However, declining to participate in a Preaward Survey does not preclude a prospective contractor from receiving a contract award. The PCO may award a contract under these circumstances if sufficient information to make a responsibility determination is available from alternate sources. Given this insight, the data reflect that approximately 18 percent of the Negative Preaward Survey recommendations issued by DCMC Philadelphia in 1995 were the result of prospective contractors declining to participate in the Survey.

The proposed contract value was also used to facilitate an analysis of low dollar value Preaward Survey requests. Per Subpart 9.1 of the Federal Acquisition Regulation, the PCO should not request a Preaward Survey unless circumstances justify its cost. [Ref. 115:P. 9-3] Generally, surveys with proposed contract values below $25 thousand should not be requested unless the end item or service is for a critical application. Table 11 presents data on all Preaward Surveys requested which had a proposed contract value of less than $25 thousand. These data reflect that approximately 21 percent of all Preaward Surveys conducted at DCMC Philadelphia during 1995 had a proposed contract value of less than $25 thousand. Of these Survey requests, approximately 44 percent contained justifications for requesting a low dollar value Survey.

Tables 12 and 13 contain data on the size of businesses surveyed and the proposed contract type contained in Survey requests. Business size, either large or small, is self reported by a prospective contractor on its offer or proposal. In turn, the PCO annotates this information on the Preaward Survey request. For this study, business size data were taken directly from the Preaward Survey request. These data reflect that approximately 75 percent of all Preaward Surveys were conducted on Small Businesses and that Small Businesses received approximately 84 percent of the Negative Preaward Survey

TABLE 11

LOW DOLLAR (Less than $25,000) PREAWARD SURVEYS

TYPE	TOTAL	NUMBER LOW $ PAS	PCT OF TOTAL PAS	NUMBER JUSTIFIED	PCT JUSTIFIED
POSITIVE PAS	84	11	7.2%	8	72.7%
NEGATIVE PAS	68	21	13.8%	6	28.6%
TOTAL	152	32	21.1%	14	43.8%

[Source: DCMC Philadelphia Records]

TABLE 12

BUSINESS SIZE

TYPE	TOTAL	NUMBER SM BUS	PCT SM BUS	PCT OF TOTAL PAS	NUMBER LG BUS	PCT LG BUS	PCT OF TOTAL PAS
POSITIVE PAS	84	56	66.7%	36.8%	28	33.3%	18.4%
NEGATIVE PAS	68	57	83.8%	37.5%	11	16.2%	7.2%
TOTAL	152	113	74.3%	74.3%	39	25.7%	25.7%

[Source: DCMC Philadelphia Records]

TABLE 13

PROPOSED CONTRACT TYPE

TYPE	TOTAL	NUMBER FIXED-PRICE	PCT FIXED-PRICE	PCT OF TOTAL PAS	NUMBER COST-TYPE	PCT COST-TYPE	PCT OF TOTAL PAS
POSITIVE PAS	84	78	92.9%	51.3%	6	7.1%	3.9%
NEGATIVE PAS	68	66	97.1%	43.4%	2	2.9%	1.3%
TOTAL	152	144	94.7%	94.7%	8	5.3%	5.3%

[Source: DCMC Philadelphia Records]

recommendations issued by DCMC Philadelphia in 1995. The data in Table 13 reflect approximately 95 percent of all Preaward Surveys requests were for Fixed-Price type contracts. The high percentage of Fixed-Price type contracts is not surprising when viewed in context of the large number of Preaward Surveys performed on Small Businesses and the median dollar value of proposed contracts.

In addition to collecting data on proposed contract types, this study collected data on the number of Preaward Survey requests with financial assistance arrangements. The most common form of financial assistance is Progress Payment billing. Progress Payment provisions are sometimes included in large dollar contracts with long periods of performance. PCOs may elect to include this provision in Fixed-Type contracts to assist with a contractor's working capital and cash flow needs. Under the terms of this arrangement, the contractor can submit periodic invoices for payment prior to completion of the contract. Partial payment is then made based upon the contractor's allowable incurred costs and progress to date. Contracts with Progress Payment provisions are subject to audit by the Defense Contract Audit Agency (DCAA) and the contractor must have an adequate accounting system to facilitate the segregation of costs. [Ref. 6] As indicated in Table 14, approximately 15 percent of all Preaward Surveys conducted in 1995 contained some form of financial assistance provisions. These data reflect however, that the inclusion of financial assistance provisions had little or no influence on the outcome of Preaward Survey recommendations. These data reflect the percentage of Positive Survey and Negative Survey recommendations were approximately equal at 15.5 percent and 14.7 percent respectively.

Table 15 depicts the factors requested by PCOs for Preaward Survey evaluation. Additionally, this Table presents the frequency of factor evaluation requests and the primary causes of Negative Preaward Survey recommendations. These data reflect that the most frequently requested factor is Production followed by Technical, Quality Assurance and Financial capability. As reflected in Table 15, these four factors also cause the majority of Negative Preaward Survey recommendations. The highest percentage of Negative Preaward Survey recommendations are caused by Production and Financial concerns.

This section presents the data collected from Preaward Survey file follow-up interviews with CAO and Procuring Activity personnel. Data were obtained from Procuring Activity personnel to determine if any

TABLE 14

PERCENTAGE OF PROPOSED CONTRACTS WITH FINANCING ARRANGEMENTS

TYPE	TOTAL	NR WITH FINANCING	PCT WITH FINANCING	PCT OF TOTAL PAS	NR WITHOUT FINANCING	PCT W/O FINANCING	PCT OF TOTAL PAS
POSITIVE PAS	84	13	15.5%	8.6%	71	84.5%	46.7%
NEGATIVE PAS	68	10	14.7%	6.6%	58	85.3%	38.2%
TOTAL	152	23	15.1%	15.1%	129	84.9%	84.9%

[Source: DCMC Philadelphia Records]

TABLE 15

FACTORS REQUESTED FOR PREAWARD SURVEY EVALUATION & EVALUATION RESULTS
(Reflects Data taken from 152 Preaward Survey Files)

FACTORS	NUMBER OF REQUESTS	FREQ REQUESTED	NR POS	PCT POS	NR NEG	PCT NEG	PCT OF ALL PAS
TECHNICAL	85	55.9%	76	89.4%	9	10.6%	5.9%
PRODUCTION	97	63.8%	73	75.3%	24	24.7%	15.8%
QUALITY	85	55.9%	64	75.3%	21	24.7%	13.8%
FINANCIAL	79	52.0%	55	69.6%	24	30.4%	15.8%
ACCOUNTING	14	9.2%	14	100.0%	0	0.0%	0.0%
PROPERTY	5	3.3%	5	100.0%	0	0.0%	0.0%
TRANSPORTATION	2	1.3%	2	100.0%	0	0.0%	0.0%
PACKAGING	21	13.8%	20	95.2%	1	4.8%	0.7%
SECURITY	4	2.6%	4	100.0%	0	0.0%	0.0%
SAFETY	15	9.9%	15	100.0%	0	0.0%	0.0%
ENVIRONMENTAL	0	0.0%	0	N/A	0	N/A	0.0%
OTHER							
WALSH HEALEY	21	13.8%	11	52.4%	10	47.6%	6.6%
MEET DELIVERY	5	3.3%	3	60.0%	2	40.0%	1.3%
PAST PERFORM	2	1.3%	1	50.0%	1	50.0%	0.7%
EDI CAPABILITY	1	0.7%	1	100.0%	0	0.0%	0.0%
HEALTH REGS	2	1.3%	2	100.0%	0	0.0%	0.0%
OTHER COMMIT	2	1.3%	0	0.0%	2	100.0%	1.3%
MIL-I-45208 STD	1	0.7%	1	100.0%	0	0.0%	0.0%
TOTAL	441	100.0%	347	78.7%	94	21.3%	61.8%

[Source: DCMC Philadelphia Records]

of the 68 Negative Preaward Surveys issued by DCMC Philadelphia in 1995 resulted in a contract award to a contractor who had received a Negative Preaward Survey. If the contract was awarded to another source, no further information was sought from Procuring Activity personnel. However, if the PCO or Buyer indicated that a contract was awarded in the face of a Negative Preaward Survey, data were obtained on the associated contract number and the reasons for overriding DCMC's "No Award" recommendation. Data generated during these follow-up interviews are presented in Table 16. These data indicate that PCOs awarded a contract in the face of a Negative Preaward Survey recommendation approximately 13 percent of the time during 1995. The reasons cited by PCOs for making these awards is contained in Table 17. As reflected in this Table, recent satisfactory performance on similar contracts was cited as the most frequent reason for overriding a "No Award" recommendation. It should be noted that all but two of the contract awards issued in the face of a Negative Preaward Survey were initiated by the PCOs responsible for those procurements. The two contracts awarded under the Small Business Administration's Certificate of Competency (COC) Program would not have been awarded by the respective PCOs had they had complete control over the acquisition. In these two cases, the PCOs concurred fully with the findings contained in the Negative Preaward Surveys.

The remainder of this section presents data collected from follow-up interviews with DCMC Philadelphia personnel. These data were collected to determine contractor performance on the overridden contracts identified above and to determine if contract performance failures line up with associated Negative Preaward Survey findings. Table 18 presents DCMC Philadelphia's overall assessment of contractor performance under the nine contracts awarded in the face of a Negative Preaward Survey. Although subjective in nature, these assessments were based upon current or recent historical contractor performance on the specific contracts in question. These data indicate that 67 percent of the overridden contracts have a performance rating of satisfactory or excellent, while the remainder were rated either marginal or unsatisfactory. Specific performance deficiencies noted on the overridden contracts are listed in Table 19. As depicted, the most frequent problems noted on the overridden contracts were late deliveries and quality assurance problems.

TABLE 16

CONTRACTS AWARDED IN THE FACE OF A NEGATIVE PREAWARD SURVEY

DESCRIPTION	NUMBER	PCT
Total Preaward Surveys Conducted in 1995	152	
Total Positive PAS Recommendations	84	55.3%
Total Negative PAS Recommendations	68	44.7%
Contracts Awarded in the Face of a Negative PAS	9	13.2%

[Source: DCMC Philadelphia Records & Procuring Activity Interviews]

TABLE 17

PCO REASONS
FOR AWARDING A CONTRACT IN THE FACE OF A NEGATIVE PREAWARD SURVEY

REASON	FREQ CITED	PCT OF TOTAL
Obtained Financial Data from Dunn & Bradstreet	1	7.7%
Recent Satisfactory Performance on Similar Contract(s)	3	23.1%
SBA Issued Certificate of Competency (COC)	2	15.4%
Contractor Presented Letter of Credit and/or Pledges of Financial Backing	2	15.4%
Procuring Activity Deleted or Reduced QA and/or Higher Inspection Requirement(s)	2	15.4%
Urgent Requirement in Support of National Defense	1	7.7%
No Other Source or It Would Take Too Long to Qualify an Alternate Source	1	7.7%
Contractor Corrected Deficiency Noted in NEG PAS	1	7.7%
TOTAL	13	

[Source: Procuring Activity Interviews]

TABLE 18

CONTRACTOR PERFORMANCE UNDER CONTRACTS
AWARDED IN THE FACE OF A NEGATIVE PREAWARD SURVEY

OVERALL PERFORMANCE ASSESSMENT	NUMBER	PCT
Excellent	3	33.3%
Satisfactory	3	33.3%
Marginal	2	22.2%
Unsatisfactory	1	11.1%

[Source: DCMC Philadelphia Personnel Interviews]

TABLE 19

CONTRACTOR PERFORMANCE PROBLEMS NOTED UNDER CONTRACTS
AWARDED IN THE FACE OF A NEGATIVE PREAWARD SURVEY

SPECIFIC PERFORMANCE ASSESSMENT	NUMBER	PCT OF TOTAL
Contract Terminated for Default	0	N/A
Contract Terminated for Convenience	1	25.0%
Late Deliveries	2	50.0%
Production Problems	0	N/A
Non-Conforming Products	0	N/A
Quality Problems	1	25.0%
Required Excessive Government Assistance/Oversight	0	N/A
TOTAL	4	

[Source: DCMC Philadelphia Personnel Interviews]

Table 20 provides a comparison of actual contract performance on overridden contracts with associated findings contained in Negative Preaward Surveys. In the case of the nine overridden contracts, these data indicate that there is not a very high correlation between contractor performance and Negative Preaward Survey findings. These data are not surprising when viewed together with the specific reasons PCOs gave for overriding the "No Award" recommendations. As depicted in Table 17, the majority of reasons PCOs cited for contract award seemed justified under the circumstances and appeared to reduce the risk of contract performance problems and/or default. Although not evident in Table 17, there appeared to be reduced risk even with the contract award based upon the "No Other Source" and "Urgent Requirement" reasons. These statements, plus a third justification, pertain to one contract. In this particular case, the contractor had received a Negative Preaward Survey due to insufficient working capital and negative net worth. However, prior to making a final responsibility determination, the PCO had received formal pledges of financial backing from the prospective contractor's parent company. The contractor was subsequently found responsible after receipt of financial backing. This new financial information, along with the sole source and compelling National urgency reasons, were used as justification for overriding DCMC Philadelphia's "No Award" recommendation.

D. CONTRACT ADMINISTRATION OFFICE PERSONNEL INTERVIEWS

During this phase of data collection, interview questions were given to personnel at DCMC Philadelphia and 14 other DCMCs located throughout the Continental United States. The other DCMCs were selected based upon the size of their Command and the relatively large number of Preaward Surveys performed by those offices in 1995 and 1996. Personnel were selected to participate in this study based upon their likely involvement in the Preaward Survey process and post-award contract administration. A total of 26 responses were received from DCMC Philadelphia. Each of the other 14 DCMCs contacted provided one response each for a total of 40 responses received. Data collected from these interviews were used to gain insight into the effectiveness of the Preaward Survey process and its usefulness as a source selection and risk management tool. Specific interview questions used during this portion of the study are contained in Appendix A.

TABLE 20

COMPARISON OF NEGATIVE PREAWARD SURVEY FINDINGS
WITH CONTRACTOR PERFORMANCE UNDER CONTRACTS AWARDED
IN THE FACE OF A NEGATIVE PREAWARD SURVEY

EVALUATION FACTOR	NEGATIVE PAS FINDINGS	ACTUAL PERFORMANCE	CORRELATION
Technical Capability	0	N/A	N/A
Production Capability	2	1	50.0%
Quality Assurance Capability	3	2	66.7%
Financial Capability	5	0	0.0%
Walslh Healey	1	0	0.0%
Contractor Non-Responsive	1	0	0.0%
TOTAL	12	3	25.0%

[Source: DCMC Philadelphia Files and DCMC Philadelphia Personnel Interviews]

The majority of the questions ask the respondent to give the frequency of a given event or process. The answers to these type questions are usually given as a percentage. In some cases, the questions ask the respondent to rank a particular event or process. The scales for these type questions are annotated on associated Tables contained in this section.

In general, the questions were designed to solicit answers and perceptions based upon the respondent's personnel experience. Where appropriate, respondents were asked to mark the answer "Not Applicable" or "Don't Know" if they had no personnel experience or knowledge of a particular subject or event. In order not to skew the data, all "Not Applicable," "Don't Know," and omitted responses were excluded from question summary calculations.

The following provides a summary of the responses to CAO interview questions. The position description and years experience of those who responded to the interview questions are contained in Tables 21 and 22, respectively. The majority of responses were received from Industrial Specialists, who are responsible for assessing and monitoring contractors' technical and production operations. In addition to the above responsibilities, Industrial Specialists help perform Preaward Surveys. Of note, over 87 percent of respondents have over 10 years of Government acquisition experience. None of the respondents had less than 2 years of experience.

One concern voiced by CAO personnel is that they get little feedback on Preaward Surveys from Procuring Activities. Often time they do not know that a contract was awarded in the face of a negative Preaward Survey until after the contractor experiences problems. [Ref. 106] To quantify the magnitude of this situation, CAO personnel were asked to list the percentage of time they or their command were notified of a contract awarded in the face of a Negative Preaward Survey. The responses to this question are contained in Table 23. These data indicate that CAO personnel are notified of overridden Negative Preaward Surveys approximately 7 percent of the time. Of note, 69 percent of respondents stated that they never receive notice of such contract awards.

CAO personnel were then asked to list the frequency with which PCOs award a contract in the face of Negative Preaward Survey. The responses to this question are depicted in Table 24. The weighted average

TABLE 21

CONTRACT ADMINISTRATION OFFICE INTERVIEWS
BY POSITION DESCRIPTION

POSITION	NUMBER
Administrative Contracting Officer (ACO)	4
Contract Administrator	9
Industrial Specialist	13
Quality Assurance Specialist	3
Cost/Price Analyst	2
Preaward Survey Manager (PASM)	6
Contracts Management Team Leader	2
Specialized Safety Manager	1
Total Number of CAO Interviews	40

[Source: DCMC Interviews]

TABLE 22

EXPERIENCE LEVEL
OF CONTRACT ADMINISTRATION OFFICE PERSONNEL

YEARS EXPERIENCE	NUMBER
Less Than 2 Years	0
2 to 5 Years	2
5 to 10 Years	3
Over 10 Years	35
Total Number of CAO Interviews	40

[Source: DCMC Interviews]

TABLE 23

PROCURING CONTRACTING OFFICER NOTIFICATION
OF OVERRIDDEN NEGATIVE PREAWARD SURVEYS

FREQUENCY	NUMBER	
0 Percent	27	0
10 Percent	7	70
20 Percent	2	40
30 Percent	1	30
40 Percent	0	0
50 Percent	1	50
60 Percent	0	0
70 Percent	1	70
80 Percent	0	0
90 Percent	0	0
100 Percent	0	0
Don't Know or Not Applicable	0	
		260
Weighted Average	6.7%	6.666667

[Source: DCMC Interviews]

TABLE 24

FREQUENCY PROCURING CONTRACTING OFFICERS
OVERRIDE NEGATIVE PREAWARD SURVEYS

FREQUENCY	NUMBER	
0 Percent	4	0
10 Percent	5	50
20 Percent	1	20
30 Percent	7	210
40 Percent	3	120
50 Percent	1	50
60 Percent	2	120
70 Percent	0	0
80 Percent	1	80
90 Percent	2	180
100 Percent	0	0
Don't Know or Not Applicable	14	
		830
Weighted Average	31.9%	31.92308

[Source: DCMC Interviews]

of all responses is approximately 32 percent, however the range of responses varies from zero to 90 percent. The diversity of responses to this question may be attributed to the diversity of positions held by respondents. Some positions lend themselves to firsthand knowledge of this subject whereas other positions may not afford this experience. Preaward Survey Mangers (PASMs), by virtue of their responsibilities, may have somewhat greater insight into the number of overridden "No Award" recommendations than a Contract Administrator or Price/Cost Analyst. Of note, 35 percent of those interviewed had no knowledge or experience from which to answer this question. This comes as no surprise when viewed in the context of the low notification rate of overridden Negative Preaward Surveys contained in Table 23.

The next question asked CAO personnel to provide the percentage of time PCOs are justified in awarding a contract to a contractor who had received a Negative Preaward Survey. As depicted in Table 25, the weighted average of all respondents indicates that CAO personnel feel that 38.5 percent of these awards are properly justified by the PCO. As with the previous two questions, approximately 33 percent of interviewees had no basis or experience from which to answer this question.

The next three questions ask CAO personnel to provide the top three reasons PCOs give for overriding Negative Preaward Survey recommendations and the percent of contracts completed satisfactory under those circumstances. For the purpose of these questions, satisfactory contract performance was defined as no or minimal problems noted during contract performance. The first, second and third most frequent reasons for awarding a contract in the face of a Negative Preaward Survey are presented in Tables 26, 27, and 28, respectively. As indicated in Table 26, CAO personnel believe that the issuance of a SBA Certificate of Competency is the most frequent reason cited by PCOs and that less than a third of these contracts are completed satisfactorily. The data in Tables 26, 27 and 28 indicate that "No Other Source" and the "Contractor performed satisfactorily on recent contracts" are the second and third most frequent reasons cited for overriding a Negative Preaward Survey.

To gain insight to the causes of Negative Preaward Surveys, CAO personnel were asked to rank the 5 most common factors causing a Negative recommendation. The responses to this question are summarized

TABLE 25

PERCENT OF PROCURING CONTRACTING OFFICER OVERRIDES JUSTIFIED

FREQUENCY	NUMBER
0 Percent	5
10 Percent	7
20 Percent	0
30 Percent	2
40 Percent	1
50 Percent	4
60 Percent	0
70 Percent	1
80 Percent	4
90 Percent	2
100 Percent	1
Don't Know or Not Applicable	13
Weighted Average	38.5%

[Source: DCMC Interviews]

TABLE 26

MOST FREQUENT REASON PROCURING CONTRACTING OFFICER
OVERRIDES NEGATIVE PREAWARD SURVEY & PERCENT OF
CONTRACTS COMPLETED SATISFACTORILY UNDER THOSE CIRCUMSTANCES

REASON	NUMBER	PCT COMPLETED SATISFACTORILY
No other source/sole source contractor	11	47.1%
Contractor performed satisfactorily on recent contracts	1	40.0%
Financial condition mitigated with Progress Payments	0	N/A
Meeting delivery schedule deemed not critical	0	N/A
PCO willing to accept reduced quality due to urgent need	0	N/A
SBA issued Certificate of Competency	16	32.5%
PCO received updated information since PAS issued	0	N/A
Contractor successfully rebutted NEG PAS findings	0	N/A
Reported deficiencies won't impact proposed contract	0	N/A
Maintain industrial base	1	10.0%
Best source of available contractor pool	0	N/A
Defects/Deficiencies are deemed minor	0	N/A
Weighted Average All Reasons		37.5%

[Source: DCMC Interviews]

TABLE 27

SECOND MOST FREQUENT REASON PROCURING CONTRACTING OFFICER
OVERRIDES NEGATIVE PREAWARD SURVEY & PERCENT OF
CONTRACTS COMPLETED SATISFACTORILY UNDER THOSE CIRCUMSTANCES

REASON	NUMBER	PCT COMPLETED SATISFACTORILY
No other source/sole source contractor	8	23.3%
Contractor performed satisfactorily on recent contracts	5	40.0%
Financial condition mitigated with Progress Payments	1	80.0%
Meeting delivery schedule deemed not critical	2	20.0%
PCO willing to accept reduced quality due to urgent need	2	30.0%
SBA issued Certificate of Competency	4	26.6%
PCO received updated information since PAS issued	0	N/A
Contractor successfully rebutted NEG PAS findings	0	N/A
Reported deficiencies won't impact proposed contract	4	50.0%
Maintain industrial base	0	N/A
Best source of available contractor pool	1	30.0%
Defects/Deficiencies are deemed minor	0	N/A
Weighted Average All Reasons		30.5%

[Source: DCMC Interviews]

TABLE 28

THIRD MOST FREQUENT REASON PROCURING CONTRACTING OFFICER OVERRIDES NEGATIVE PREAWARD SURVEY & PERCENT OF CONTRACTS COMPLETED SATISFACTORILY UNDER THOSE CIRCUMSTANCES

REASON	NUMBER	PCT COMPLETED SATISFACTORILY
No other source/sole source contractor	2	20.0%
Contractor performed satisfactorily on recent contracts	4	32.5%
Financial condition mitigated with Progress Payments	3	40.0%
Meeting delivery schedule deemed not critical	1	70.0%
PCO willing to accept reduced quality due to urgent need	0	N/A
SBA issued Certificate of Competency	1	20.0%
PCO received updated information since PAS issued	2	UNKNOWN
Contractor successfully rebutted NEG PAS findings	3	16.7%
Reported deficiencies won't impact proposed contract	5	73.0%
Maintain industrial base	0	N/A
Best source of available contractor pool	0	N/A
Defects/Deficiencies are deemed minor	1	50.0%
Weighted Average All Reasons		42.3%

[Source: DCMC Interviews]

in Table 29. A rank of 1 indicates that the respondent felt that this factor was the most common reason for a Negative recommendation, while a rank of 5 indicated that the respondent felt this was the fifth most common reason. Values were then assigned to each ranking to determine a weighted score and overall rank for each factor. Number 1 Rankings received the highest value of 5, while Number 5 Rankings received the lowest value of 1 (X_1=5, X_2=4, X_3=3, X_4=2 and X_5=1). As depicted in this Table, production was cited as the most common reason contractors receive a Negative Preaward Survey. Of note, non-responsiveness of the prospective contractor is the fifth most common reason. A contractor is deemed non-responsive when it fails to participate in the Preaward Survey or fails to provide requested documentation.

The next interview question attempts to determine the correlation of Preaward Survey findings with a contractor's performance under a contract awarded in the face of a Negative Preaward Survey. The responses to this question are contained in Table 30. These data indicate that CAO personeel feel that the contractor's failures or deficiencies line up with associated Negative Preaward Survey findings over 80 percent of the time.

Negative Preaward Surveys contain detailed information about a prospective contractor's capabilities and deficiencies. The next two questions concern the usefulness and use of Negative Preaward Survey information during post-contract administration. CAO personnel were asked to rank on a scale of zero to 10 the usefulness of Negative Preaward Surveys during post-contract administration. A rank of zero indicates that the survey was of no use, while a rank of 10 indicates the survey was very useful. A rank of 5 indicates the survey was of moderate use. The responses to this question are contained in Table 31. As indicated in this Table, the weighted average rank for this question was 6.78. This indicates that Negative Preaward Survey information is useful to those CAO personnel who responded to this question. Of note, over 48 percent of those who responded to this question gave this area the highest rank, signifying that they found this information to be very useful. When asked how they used this information during post-contract administration, CAO personnel provided the following comments and examples:

TABLE 29

MOST COMMON REASONS CONTRACTORS
RECEIVE NEGATIVE PREAWARD SURVEY
(Scale: 1=Most Common, 5=Fifth Most Common Reason)

REASON	RAW SCORING #1	#2	#3	#4	#5	WEIGHTED SCORE	OVERALL RANK
Production	13	3	5	0	1	93	1
Financial	6	6	4	1	2	70	2
Quality Assurance	2	8	2	3	2	56	3
Technical	1	4	5	4	3	47	4
Non-Responsive	1	2	0	5	3	26	5
Accounting System	1	1	1	4	5	25	6
Packaging	0	0	1	0	1	4	7
Govt Property Control	0	0	0	1	1	3	8

[Source: DCMC Interviews]

TABLE 30

CORRELATION OF CONTRACTOR PERFORMANCE
WITH NEGATIVE PREAWARD SURVEY FINDINGS

FREQUENCY	NUMBER
0 Percent	0
10 Percent	0
20 Percent	0
30 Percent	0
40 Percent	0
50 Percent	1
60 Percent	4
70 Percent	1
80 Percent	5
90 Percent	9
100 Percent	2
Don't Know or Not Applicable	18
Weighted Average	80.5%

[Source: DCMC Interviews]

TABLE 31

USEFULNESS OF NEGATIVE PREAWARD SURVEYS
DURING POST-CONTRACT AWARD ADMINISTRATION

RANK		NUMBER
0	No Use	2
1		0
2		3
3		1
4		0
5	Moderately Useful	1
6		2
7		3
8		6
9		2
10	Very Useful	7
Don't Know or Not Applicable		13
Weighted Average		6.78

[Source: DCMC Interviews]

1. Performance history used to identify potential problem areas.

2. Signifies that a Post-Award Orientation Conference may be warranted for this particular contract.

3. Provides specific points of discussion for Post-Award Orientation Conferences.

4. Information may cause the ACO to deny the use of Progress Payments or trigger pre-payment audits of Progress Payment requests.

5. Helps determine the level of post-award surveillance and Government assistance.

6. Used to remind contractors of deficiencies and to notify them that they need to implement appropriate corrective action plan(s).

7. Used as a reference point from which to measure corrective actions implemented by the contractor.

8. Used to establish controls and surveillance plans at subtier contractors and vendors.

9. Helps in the identification of critical processes and surveillance review points.

10. If multiple surveys are issued on the same contractor, the survey information is used to determine contractor performance trends.

11. Unfavorable financial status triggers increased surveillance of the contractor's performance and ongoing financial condition to ensure the contractor is not experiencing a loss on the contract.

12. Information may cause the initiation of price realism analysis, especially if the contractor's bid was significantly lower than the next highest bid.

13. If the contractor's financial condition is marginal or unsatisfactory, this information may be used to request monthly cash flow statements to guard against potential performance problems.

The last group of questions asked CAO personnel to provide recommended changes to the Preaward Survey process to enhance its use during source selection and post-award contract administration. The responses to these questions follow:

1. To increase the accountability of the SBA Certificate of Competency (COC) process, require SBA to conduct all post-contract award administration on SBA COC awarded contracts.
2. Ensure PCOs do not award contracts to small businesses merely on the "threat" or expectation that the contractor will be issued a COC.

3. When issuance of a COC is likely, require SBA to discuss its rationale with DCMC prior to issuance of the COC.

4. Require SBA to furnish COC findings and its rationale for overriding DCMC's "No Award" recommendation. This information should be sent to the appropriate Procuring Activity and cognizant CAO.

5. With respect to SBA COCs, final responsibility determination should reside at the Procuring Activity vice at SBA. PCOs should have the authority to override a COC.

6. SBA's COC Program and processes should be evaluated. As appropriate, SBA's COC program should be modified to ensure only responsible contractors receive contract awards.

7. Disestablish the SBA's COC Program in its entirety. This program duplicates efforts performed by DCMC. The SBA COC Program costs taxpayers an enormous amount of money to perform this mission with results that often result in additional outlays of time, money and resources. In this era of limited resources and budget constraints, the Government can ill afford the cost of duplicative programs.

8. Require PCOs to notify the cognizant CAO office anytime they award a contract in the face of a Negative Preaward Survey. Ensure wide distribution of this information throughout the CAO office.

9. Whenever a Preaward Survey is conducted, ensure that the Preaward Survey Serial Number is included on the face of the contract, regardless of whether the recommendation was positive or negative.

10. Widen the internal distribution of Negative Preaward Surveys within the CAO office. This information can be potentially useful to ACOs, Contract Administrators, Industrial Specialists, Quality Assurance Specialists, Cost/Price Analysts, specialized functional specialists, Team Leaders and DCMC management.

11. Increase the use and frequency of Post-Award Orientation Conferences whenever a contract is awarded in the face of a Negative Preaward Survey. During this Conference, ensure the contractor fully understands contract requirements and understands the requirement to correct deficiencies noted in the Negative Preaward Survey. Ensure appropriate CAO team members participate in this conference and post-award planning.

12. Include a "Trend Analysis" section in the Preaward Survey and require this information whenever a prospective contractor has received multiple Preaward Surveys within a 2 to 3 year period.

13. Make it easier to terminate a contract for default whenever a contractor experiences self induced problems on a contract awarded in the face of a "No Award" recommendation.

14. Establish more specific guidelines for the functional specialists who perform Preaward Surveys. Current guidance does not delineate working guidelines for functional specialists. Establish a Preaward Survey Procedures Desk Guide and better training for functional specialists. These guidelines should make the Preaward Survey Process more uniform across the various DCMCs. This should give Procuring Activities more confidence in DCMC's ability to evaluate contractors' capabilities.

15. Whenever a contract is awarded in the face of a Negative Preaward Survey, require the contractor to post a Performance Bond to assure satisfactory performance.

16. Add a third recommendation block of "Award Not Recommended" to the Preaward Survey form. The performance of some contractors are marginal, but not clear enough to distinguish between an "Award" or "No Award" recommendation. This third category could be used to signify that excessive Government oversight or assistance beyond what is contractually required may be required to ensure contract completion. This category would not completely eliminate a

contractor from the source selection, but would make it easier to make an award based upon "Best Value" to the Government.

17. Preaward Surveys are under utilized. Too many marginal companies are awarded contracts without benefit of determining their capabilities via a Preaward Survey. Ensure PCOs and Buyers request a Preaward Survey whenever a clear cut responsibility determination can not be made.

18. Advise contractors that is mandatory to correct problems noted in Preaward Surveys.

19. Ensure CAO Team members, including the ACO, are invited to participate in Preaward Surveys on "high risk" contractors.

20. Revise the current contract administration data base to capture and report contractor performance data under contracts awarded in the face of a Negative Preaward Survey.

21. Assign a higher value and weighting to Preaward Survey findings during source selections.

22. Preaward Surveys should be recognized as part of DCMC's "Early Contract Administration Services (CAS) program. One part of this program focuses on the evaluation of contractors' performance capabilities during source selection. Early CAS helps PCOs select capable contractors and identify potential performance risks. The Preaward Survey process should be made an integral part of Early CAS.

23. PCOs should allow DCMC more time to conduct Preaward Surveys. The FAR states that Procuring Activities should allow at least seven days to perform a Preaward Survey. In reality, it takes approximately 15 days to perform a thorough survey and about 30 days if a secondary survey on a subcontractor is required.

24. Ensure PCOs and Buyers understand the differences between a General Purpose Survey/Capability Survey and a Preaward Survey. A number of PCOs are using General Purpose Surveys for responsibility determinations. This type of survey does not evaluate a contractor's capability to perform on a specific contract. Contract terms and requirements change with each procurement. Likewise, the contractor's management, financial situation, shop loading and production capabilities change over time. Only a Preaward Survey assesses a contractor's current capabilities to perform on a specific contract.

25. Require CAOs to establish a specific surveillance plan for each contractor who has received a contract in the face of a Negative Preaward Survey. The plan should address actions to mitigate the risks associated with Negative Preaward Survey findings.

E. PROCURING ACTIVITY PERSONNEL INTERVIEWS

During this phase of data collection, interview questions were given to Procuring Activity Personnel at Navy Inventory Control Point (NAVICP) Philadelphia, NAVICP Mechanicsburg, Defense Industrial Supply Center (DISC) Philadelphia, Fleet Industrial Supply Center (FISC) Norfolk Detachment Philadelphia, U.S. Army Aviation and Troop Command and Warner Robins Air Logistics Center. Personnel were selected to participate in this study based upon their involvement in the acquisition process

and likelihood of participating in the Preaward Survey process. A total of 52 responses were received. The interview questions are similar to the questions given to CAO personnel. However, data collected from these interviews were used to gain insight into the effectiveness of the Preaward Survey process from a Procuring Activity's perspective. Specific interview questions used during this portion of the study are contained in Appendix B.

As was the case with CAO interview questions, the majority of the questions ask the respondent to give the frequency of a given event or process. The answers to these type questions are usually given as a percentage. In some cases, the questions ask the respondent to rank a particular event or process. The scales for these type questions are annotated on associated Tables contained in this section.

In general, the questions were designed to solicit answers and perceptions based upon the respondent's personnel experience. Where appropriate, respondents were asked to mark the answer "Not Applicable" or "Don't Know" if they had no personnel experience or knowledge of a particular subject or event. In order not to skew the data, all "Not Applicable," "Don't Know" and omitted responses were excluded from question summary calculations.

The following provides a summary of the responses to Procurement Activity interview questions. The position description and years experience of those who responded to the interview questions are contained in Tables 32 and 33, respectively. The majority of responses were received from PCOs and Contract Specialists. Of note, over 78 percent of respondents have over 10 years of Government acquisition experience.

Procuring Contracting Officers request Preaward Surveys to gain insight into a prospective contractor's capability to perform on a specific contract. To determine the value of this product, Procuring Activity personnel were asked to rate the usefulness of information contained in Preaward Surveys during the source selection process. Responses to this question are contained in Table 34. A rank of zero indicates that the Surveys are of no use, while a rank of 10 indicates the Surveys are a very useful tool. As reflected in Table 34, the weighted average rank given to this question was 7.58. These data indicate that

TABLE 32

PROCUREMENT ACTIVITY INTERVIEWS
BY POSITION DESCRIPTION

POSITION	NUMBER
Procuring Contracting Officer (PCO)	24
Contracts Manager	4
Contract Specialist	14
Buyer	2
Procurement Analyst	5
Contract Negotiator	1
Industrial Specialist	1
Production Supervisor	1
Total Number of Interviews	52

[Source: Procurement Activity Interviews]

TABLE 33

PROCUREMENT ACTIVITY PERSONNEL
EXPERIENCE LEVEL

YEARS EXPERIENCE	NUMBER
Less Than 2 Years	2
2 to 5 Years	3
5 to 10 Years	6
Over 10 Years	41
Total Number of Interviews	52

[Source: Procurement Activity Interviews]

TABLE 34

USEFULNESS OF PREAWARD SURVEYS
DURING SOURCE SELECTION

RANK		NUMBER
0	No Use	0
1		0
2		2
3		0
4		3
5	Moderately Useful	4
6		3
7		3
8		13
9		8
10	Very Useful	9
Don't Know or Not Applicable		7
Weighted Average		7.58

[Source: Procurement Activity Interviews]

Preaward Survey information was generally found to be useful during the source selection process. Those that gave Preaward Surveys high marks, stated that Preaward Survey information was useful when making a responsibility determination on Small and Disadvantage Small Businesses. Although the data suggest that Surveys are useful, several respondents gave Preaward Survey information a relatively low mark. In several of these cases, respondents stated that they rarely request and use Preaward Surveys because the reports take too long to get. One other Government official who gave this area a low mark, stated that Preaward Surveys are effective for contractor responsibility determination, but not always useful for "Best Value" determinations.

Procuring Activity personnel were then asked to list the frequency with which they award a contract in the face of Negative Preaward Survey. The responses to this question are depicted in Table 35. The weighted average of all responses is 15.5 percent with most responses grouped between zero and 20 percent. However, one PCO stated they override the Negative Preaward Survey recommendation 80 percent of the time when poor delivery performance is the only negative finding in the Survey and the requirement is not urgent [Ref. 71].

The next question asked Procuring Activity personnel to provide the frequency with which they notify CAOs of contracts awarded in the face of a Negative Preaward Survey. The responses to this question are contained in Table 36. These data reflect that Procuring Activities provide notification to CAOs approximately 62 percent of the time. However, these data reflect a wide range of responses. Approximately 42 percent of respondents stated that they provide notice to CAOs 100 percent of the time, while 18 percent of respondents stated that they never provide notice of overridden Negative Preaward Surveys.

The next question asked Procuring Activity personnel to provide the percentage of time they felt contracts awarded in the face of a Negative Preaward Survey were properly justified. Their responses are summarized in Table 37. These data indicate that Procuring Activity personnel feel that an overwhelming 95.5 percent of contracts awarded under those circumstances are fully justified. Several respondents stated that the Federal Acquisition Regulation (FAR) requires the contracting officer to award contracts only to

TABLE 35

FREQUENCY PROCURING CONTRACTING OFFICERS
OVERRIDE NEGATIVE PREAWARD SURVEYS

FREQUENCY	NUMBER
0 Percent	8
10 Percent	22
20 Percent	7
30 Percent	3
40 Percent	0
50 Percent	3
60 Percent	0
70 Percent	0
80 Percent	1
90 Percent	0
100 Percent	0
Don't Know or Not Applicable	8
Weighted Average	15.5%

[Source: Procurement Activity Interviews]

TABLE 36

PROCUREMENT ACTIVITY NOTIFICATION OF
OVERRIDDEN NEGATIVE PREAWARD SURVEYS

FREQUENCY	NUMBER
0 Percent	6
10 Percent	2
20 Percent	2
30 Percent	2
40 Percent	0
50 Percent	2
60 Percent	0
70 Percent	0
80 Percent	3
90 Percent	2
100 Percent	14
Don't Know or Not Applicable	19
Weighted Average	61.8%

[Source: Procurement Activitiy Interviews]

TABLE 37

PERCENT OF PROCURING CONTRACTING OFFICER
OVERRIDES JUSTIFIED

FREQUENCY	NUMBER
0 Percent	0
10 Percent	0
20 Percent	0
30 Percent	0
40 Percent	0
50 Percent	0
60 Percent	0
70 Percent	1
80 Percent	2
90 Percent	8
100 Percent	22
Don't Know or Not Applicable	19
Weighted Average	95.5%

[Source: Procurement Activity Interviews]

responsible contractors. These respondents stated that they would not award to a contractor they found non-responsible, unless the Small Business Administration issued a Certificate of Competency.

The next three questions ask Procuring Activity personnel to provide the top three reasons they give for overriding Negative Preaward Survey recommendations and the percent of contracts completed satisfactory under those circumstances. For the purpose of these questions, satisfactory contract performance was defined as no or minimal problems noted during contract performance. The responses to these questions are contained in Tables 38, 39, and 40. As indicated in Table 38, Procuring Activity personnel believe that the issuance of a SBA Certificate of Competency was the most frequent reason for overriding a "No Award" recommendation and that 75 percent of those contracts are completed satisfactorily. Responses to all three questions were taken into account to determine the second and third most frequent reasons for overriding a Negative recommendation. The data in Tables 38, 39, and 40 indicate that "No Other Source" and the "Contractor performed satisfactorily on recent contracts" were the second and third most frequent reasons cited for overriding a Negative Preaward Survey. When viewed in the aggregate, these data indicate that Procuring Activity personnel believe that approximately 79 percent of contracts awarded in the face of a Negative Preaward Survey are completed successfully.

To gain insight to the causes of Negative Preaward Surveys, Procuring Activity personnel were asked to rank the 5 most common factors causing a Negative recommendation. The responses to this question are summarized in Table 41. A rank of 1 indicates that the respondent felt that this factor was the most common reason for a Negative recommendation, while a rank of 5 indicated that the respondent felt this was the fifth most common reason. Values were then assigned to each ranking to determine a weighted score and overall rank for each factor. Number 1 Rankings received the highest value of 5, while Number 5 Rankings received the lowest value of 1 (X_1=5, X_2=4, X_3=3, X_4=2 and X_5=1). As depicted in this Table, production was cited as the most common reason contractors receive a Negative Preaward Survey. Of note, these data reflect that production, financial, quality assurance, and technical account for over 90 percent of all Negative Preaward Surveys .

TABLE 38

MOST FREQUENT REASON PROCURING CONTRACTING OFFICER
OVERRIDES NEGATIVE PREAWARD SURVEYS & PERCENT OF
CONTRACTS COMPLETED SATISFACTORILY UNDER THOSE CIRCUMSTANCES

REASON	NUMBER	PCT COMPLETED SATISFACTORILY
No other source/sole source contractor	13	81.1%
Contractor performed satisfactorily on recent contracts	3	75.0%
Financial condition mitigated with Progress Payments	0	N/A
Meeting delivery schedule deemed not critical	0	N/A
PCO willing to accept reduced quality due to urgent need	0	N/A
SBA issued Certificate of Competency	15	72.1%
PCO received updated information since PAS issued	3	83.3%
Contractor successfully rebutted NEG PAS findings	2	80.0%
Reported deficiencies won't impact proposed contract	4	82.5%
Maintain industrial base	0	N/A
Best source of available contractor pool	0	N/A
Defects/Deficiencies are deemed minor	0	N/A
Weighted Average All Reasons		77.7%

[Source: Procurement Activity Interviews]

TABLE 39

SECOND MOST FREQUENT REASON PROCURING CONTRACTING OFFICER
OVERRIDES NEGATIVE PREAWARD SURVEYS & PERCENT OF
CONTRACTS COMPLETED SATISFACTORILY UNDER THOSE CIRCUMSTANCES

REASON	NUMBER	PCT COMPLETED SATISFACTORILY
No other source/sole source contractor	3	86.7%
Contractor performed satisfactorily on recent contracts	5	76.0%
Financial condition mitigated with Progress Payments	0	N/A
Meeting delivery schedule deemed not critical	0	N/A
PCO willing to accept reduced quality due to urgent need	0	N/A
SBA issued Certificate of Competency	14	66.0%
PCO received updated information since PAS issued	9	85.7%
Contractor successfully rebutted NEG PAS findings	3	65.0%
Reported deficiencies won't impact proposed contract	5	88.0%
Maintain industrial base	0	N/A
Best source of available contractor pool	0	N/A
Defects/Deficiencies are deemed minor	0	N/A
Weighted Average All Reasons		76.2%

[Source: Procurement Activity Interviews]

TABLE 40

THIRD MOST FREQUENT REASON PROCURING CONTRACTING OFFICER OVERRIDES NEGATIVE PREAWARD SURVEYS & PERCENT OF CONTRACTS COMPLETED SATISFACTORILY UNDER THOSE CIRCUMSTANCES

REASON	NUMBER	PCT COMPLETED SATISFACTORILY
No other source/sole source contractor	4	86.7%
Contractor performed satisfactorily on recent contracts	9	81.4%
Financial condition mitigated with Progress Payments	3	80.0%
Meeting delivery schedule deemed not critical	1	UNKNOWN
PCO willing to accept reduced quality due to urgent need	0	N/A
SBA issued Certificate of Competency	2	UNKNOWN
PCO received updated information since PAS issued	4	80.0%
Contractor successfully rebutted NEG PAS findings	6	85.0%
Reported deficiencies won't impact proposed contract	5	88.0%
Maintain industrial base	0	N/A
Best source of available contractor pool	0	N/A
Defects/Deficiencies are deemed minor	0	N/A
Weighted Average All Reasons		83.5%

[Source: Procurement Activity Interviews]

TABLE 41

MOST COMMON REASONS CONTRACTORS
RECEIVE NEGATIVE PREAWARD SURVEY
(Scale: 1=Most Common, 5=Fifth Most Common Reason)

REASON	RAW SCORING #1	#2	#3	#4	#5	WEIGHTED SCORE	OVERALL RANK
Production	21	7	9	3	3	169	1
Financial	12	10	9	9	2	147	2
Quality Assurance	4	12	10	13	3	127	3
Technical	4	13	11	9	3	126	4
Accounting System	1	1	2	2	9	28	5
Non-Responsive	1	1	1	1	10	24	6
Govt Property Control	0	0	0	0	5	5	7
Packaging	0	0	0	0	1	1	8

[Source: Procurement Activity Interviews]

The next interview question attempts to determine the correlation of Preaward Survey findings with a contractor's performance under a contract awarded in the face of a Negative Preaward Survey. The responses to this question are contained in Table 42. These data indicate that Procuring Activity personnel feel that the contractor's failures or deficiencies line up with associated Negative Preaward Survey findings 71 percent of the time.

Procuring Activity personnel usually do not spend much of their time on post-award decisions and management. Due to workload constraints, they normally delegate contract administration functions to cognizant CAOs. The next two questions attempt to determine if Procuring Activities use Preaward Survey information during post-contract administration. Procuring Activity personnel were asked to rank on a scale of zero to 10 the usefulness of Negative Preaward Surveys during post-contract administration. A rank of zero indicates that the survey was of no use, while a rank of 10 indicates the survey was very useful. A rank of 5 indicates the survey was of moderate use. The responses to this question are contained in Table 43. As indicated in this Table, the weighted average rank for this question was 6.05. This indicates that Negative Preaward Survey information is moderately useful to those Procuring Activity personnel who responded to this question.. When asked how they used this information during post-contract administration, Procuring Activity personnel provided the following comments and examples:

1. Negative findings may cause the PCO to request special on-site Government surveillance or increased inspection of deficient areas.

2. Signifies that a Post-Award Orientation Conference may be warranted for this particular contract.

3. Provides specific points of discussion for Post-Award Orientation Conferences to ensure the contractor fully understands contract requirements and can meet the delivery schedule.

4. Depending upon the circumstances, this information may cause the PCO to insert Progress Payment provisions in the contract or deny the use of Progress Payments. Negative production, past performance and/or financial information may trigger PCO requests for pre-payment audits of Progress Payment requests.

5. Helps PCOs determine the level of post-award surveillance they should request from CAOs.

6. PCO may request more frequent performance and progress reports from DCMC.

7. If the contractor has quality assurance deficiencies, the PCO may insert a requirement for First Article Testing (FAT) into the contract.

TABLE 42

CORRELATION OF CONTRACTOR PERFORMANCE
WITH NEGATIVE PREAWARD SURVEY FINDINGS

FREQUENCY	NUMBER
0 Percent	0
10 Percent	1
20 Percent	0
30 Percent	1
40 Percent	1
50 Percent	6
60 Percent	0
70 Percent	2
80 Percent	11
90 Percent	4
100 Percent	3
Don't Know or Not Applicable	23
Weighted Average	71.0%

[Source: Procurement Activity Interviews]

TABLE 43

USEFULNESS OF NEGATIVE PREAWARD SURVEYS
DURING POST-CONTRACT AWARD ADMINISTRATION

RANK		NUMBER
0	No Use	3
1		1
2		3
3		2
4		2
5	Moderately Useful	3
6		4
7		2
8		8
9		4
10	Very Useful	5
Don't Know or Not Applicable		15
Weighted Average		6.05

[Source: Procurement Activity Interviews]

8. Negative Preawards have been used in the past to help document unsatisfactory contractor performance during Termination for Default proceedings. They have also proved helpful to document anticipatory contract breaches.

9. Negative information may signify a need to breakout parts for competitive procurement or to qualify additional vendors.

10. Negative Preaward Survey infomation may lead to a change in acquisiton strategies for follow-on procurements. For instance, a "Best Value" approach may be warranted when the lowest bidder (or group of lowest bidders) has a demonstrated record of poor performance.

The next two questions concern the use of positive Preaward Survey information in post-contract award planning and decisions. As depicted in Table 44, Procuring Activity personnel use positive Preaward Survey information less than half the time for post-contact award decisions. When asked how this information is used for post-contract award planning and decisions, Procuring Activity personnel gave the following comments and examples:

1. Positive information is useful for future contract award decisions, provided the information is not too old.

2. Positive information about a contractor's capabilities may allow the PCO to waive First Article Testing (FAT) requirements.

3. Positive information about a contractor's accounting system may allow the PCO to insert Progress Payment provisions into the contract.

4. PCOs may request accelerated delivery after learning about a contractor's positive production capabilities and/or excess production capacity.

5. Information is useful in reviewing future delivery extension requests.

6. Positive Preaward Survey findings are cited in Post-Negotiation Memorandums to document the contractor's responsibility.

7. As with Negative Preaward Survey information, positive information is used as points of discussion during Post-Award Orientation Conferences.

8. As warranted, positive information is used to reduce or eliminate on-site Government surveillance.

The last group of questions asked Procuring Activity personnel to provide recommended changes to the Preaward Survey process to enhance its use during source selection and post-award contract administration. The responses to these questions follow:

1. Need to improve the turnaround time on Preaward Surveys. PCOs and Buyers are reluctant to request a Preaward Survey due to the 30 day turnaround.

2. With respect to SBA COCs, final responsibility determination should reside at the Procuring Activity vice at SBA. PCOs should have the authority to override a COC.

3. Disestablish the SBA's COC Program in its entirety.

TABLE 44

FREQUENCY PROCURING CONTRACTING OFFICERS
USE POSITVE PREAWARD SURVEYS IN
POST-AWARD PLANNING DECISIONS

FREQUENCY	NUMBER
0 Percent	9
10 Percent	4
20 Percent	1
30 Percent	2
40 Percent	0
50 Percent	3
60 Percent	0
70 Percent	0
80 Percent	5
90 Percent	3
100 Percent	5
Don't Know or Not Applicable	20
Weighted Average	45.0%

[Source: Procurement Activity Interviews]

4. Preaward Surveys should include more analysis vice just a presentation of facts and data.

5. In addition to providing an "Award" or "No Award" recommendation, Preaward Surveys should include a risk rating on all evaluated factors. A risk rating of high, medium or low would be helpful during source selection and "Best Value" decisions.

6. Preaward Surveys should contain more input from Quality Assurance Representatives.

7. PCOs and Buyers should tailor their Preaward Survey requests more than they do now. They should only request DCMC to evaluate factors that they need.

8. Preaward Surveys should include more past performance history to facilitate "Best Value" decisions.

9. In lieu of performing multiple Preaward Surveys on the same contractor, recommend DCMC perform one Preaward Survey on that contractor each year and provide updates on an as needed basis.

10. The SBA COC process is entirely too lengthy. To shorten the turnaround time, an SBA representative should be represented on the DCMC Preaward Survey team. If this is not feasible, SBA should be required to conduct a concurrent review with DCMC's Preaward Survey team.

11. Negative Preaward Survey findings should be red flags for guiding contract administration efforts. The ACO needs a copy of the Preaward Survey and should work with the PCO and other functional specialists to ensure the negative findings are corrected by the contractor.

12. The SBA phone system needs updating. It takes entirely too long to get in contact with personnel working on COCs.

13. More emphasis should be placed on citing the reasons for delinquencies vice just reporting statistics.

14. The Defense Contract Audit Agency (DCAA) should improve their turnaround time on accounting system evaluations.

15. DOD should establish a centralized data base of Preaward Survey reports that can be accessed via the Internet. PCOs could then access this information to see if a current Survey is on file. If a current Survey is on file, the PCO could use that information to assist with a responsibility determination. If a current Survey is not on file, the PCO could request an update to an existing Survey or request a new Survey depending upon their needs.

16. When procuring highly technical or complex items, CAOs should ensure that cognizant Technical Activity personnel are invited to participate in the Preaward Survey.

IV. DATA ANALYSIS AND INTERPRETATION

A. GENERAL

This chapter provides an analysis and interpretation of data contained in Chapter III. The purpose of this analysis is to determine the Department of Defense's (DOD's) experience with contracts awarded in the face of a Negative Preaward Survey and assess the effectiveness of the Preaward Survey process as a source selection and risk management tool. This analysis will be accomplished by grouping data collected from Defense Contract Management Command (DCMC) Preaward Survey files, Contract Administration Office (CAO) interviews and Procuring Activity interviews around the individual research questions.

This Chapter will reference Tables contained in Chapter III to facilitate analysis and interpretation of the data. If referenced herein, Tables 1 through 44 can be found in Chapter III. Tables 1 through 44 provide data collected from individual sources. Tables 45 and above are presented in this Chapter. In general, the Tables presented in this Chapter group data collected from various sources around individual research questions.

When available, this study used data collected from Preaward Survey files, CAO interviews and Procuring Activity interviews to answer the research questions. Data from all three sources were used to conduct an analysis of the primary causes of Negative Preaward Surveys. Data from CAO and Procuring Activity interviews were used to analyze the reasons PCOs give for overriding a Negative Preaward Survey and DOD's experience with contracts awarded under those circumstances. The determination of the relative percentages of Negative Preaward Surveys was based solely on DCMC records and Preaward Survey files.

As discussed in Chapter III, the same or similar interview questions were given to CAO and Procuring Activity personnel to gain their perspective on Preaward Survey processes. These questions were designed to gather data based upon the respondent's beliefs, personal experience, first hand knowledge and/or second hand knowledge.

Although CAO and Procuring Activity personnel work within the same DOD Acquisition System, their roles and responsibilities are different. Their responses may be based upon a narrow scope, limited experience and/or personal job bias. Responses under these circumstances usually provide a wider range of data than data obtained from records and files. Given the above, DCMC records are presumed to be correct if there is a wide disparity between data obtained from DCMC files, CAO interviews and Procuring Activity interviews. If DCMC files were not available, further analysis was conducted to determine possible reasons for any disparity in source data.

B. ANALYSIS OF PRIMARY CAUSES OF NEGATIVE PREAWARD SURVEY RECOMMENDATIONS

The purpose of this section is to determine the primary reasons contractors receive Negative Preaward Survey recommendations. Data collected from CAO interviews, Procuring Activity interviews and DCMC Preaward files were used to conduct this analysis.

Prior to presenting this analysis, it is important to understand the relative magnitude of this issue. As reflected in Tables 1 and 2, the Defense Contract Management Command (DCMC) performed 7,124 Preaward Surveys between March 1995 and December 1996. Over this 22 month period, 1,640 contractors received a Negative Preaward Survey recommendation from DCMC. These data reflect that approximately 23 percent of all Preaward Surveys performed resulted in a "No Award" recommendation. However, further review of the data presented in Tables 4 through 8 indicate that the percentage of Negative Surveys is much higher at some DCMCs. For instance, DCMC St. Louis reported a 42 percent Negative Survey rate during a ten month period in 1995 and DCMC Birmingham reported a similar rate for calendar year 1996. Additionally, a high rate of Negative Survey recommendations was noted during a review of Preaward Survey files at DCMC Philadelphia. As reflected in Table 16, approximately 45 percent of the 152 Preaward Surveys performed by DCMC Philadelphia during calendar year 1995 resulted in a "No Award" recommendation.

The relatively high percentage of "No Award" recommendations issued by DCMC could have positive implications for the DOD Acquisition Process. When conducted properly, the Preaward Survey

process helps ensure that only responsible and capable contractors receive Government contracts. Awarding a contract to a contractor who is not deemed responsible could affect mission readiness if the contractor subsequently experiences performance problems. In these cases, the issuance of a Negative Preaward Survey supports DOD's mission and, ultimately, reduces total acquisition and life cycle costs.

When a PCO does not have sufficient knowledge of a potential contractor's capabilities, he or she can request DCMC perform a Preaward Survey to assess whether the prospective contractor has the requisite capability to perform. Depending upon the information needed, PCOs can request that DCMC evaluate the contractor's capabilities in the following areas: technical, production, quality assurance, accounting system, Government Property control, transportation, packaging, security, safety, environmental considerations and any other factor deemed crucial to the acquisition.

In order to determine the most frequently requested evaluation factors, data were collected from DCMC Philadelphia's 1995 Preaward Survey files. As reflected in Table 15, these data indicate that the most frequently requested evaluation factor is production capability, followed by technical capability, quality assurance capability and financial capability. Additionally, it should be noted that the above factors account for over 78 percent of all factors evaluated. Given the above, these data suggest that PCOs consider these four capabilities to be the most crucial for successful contract performance. It should be noted that DCMC files provided the only source of data for this portion of the analysis. This information was not requested during CAO and Procuring Activity personnel interviews because it was felt that a record review of actual Preaward Survey requests would provide the most valid data.

Data concerning the primary causes of Negative Preaward Surveys were collected from DCMC Philadelphia Preaward Survey files, CAO personnel interviews and Procuring Activity personnel interviews. The results of this research are depicted in Tables 15, 29 and 41, respectively. To facilitate comparison and analysis, the data from these three sources are summarized in Table 45. As depicted in this Table, all three sources agree that the top three factors causing Negative Preaward Surveys were production, financial and quality assurance. DCMC files indicate that Walsh-Healey determinations and technical were the fourth and fifth factors, respectively, causing Negative Preaward Surveys. Whereas,

TABLE 45

PRIMARY CAUSES OF NEGATIVE PREAWARD SURVEYS

REASON	DCMC PAS FILE RANK	CAO INTERVIEW RANK	PROCURING ACTIVITY RANK
Production	1 Tied	1	1
Financial	1 Tied	2	2
Quality Assurance	3	3	3
Technical	5	4	4
Other: Walsh-Healey	4	N/A	N/A
Non-Responsive	N/A	5	6
Accounting System	N/A	6	5
Packaging	N/A	7	8
Govt Property Control	N/A	8	7

[Source: Tables 15, 29 & 41]

both CAO and Procuring Activity personnel ranked technical as the fourth factor. It should be noted that as of 01 October 1995, the Federal Acquisition Streamlining Act (FASA) eliminated the Walsh-Healey Act requirement that a contractor be either a "regular dealer" or a "manufacturer" to be eligible for a Government supply contract in excess of $10,000. [Ref. 115:p.22.604] Discounting the Walsh-Healey ranking in the DCMC files, these data indicate that the top four reasons for Negative Preaward Surveys are production, financial, quality assurance and technical. As indicated in Table 15, these four factors account for over 90 percent of all Negative Preaward Survey findings. The fact that the top four factors requested for evaluation are also the top four factors causing Negative Preaward Surveys indicate that Preaward Survey resources are potentially being effectively utilized.

In addition to determining the major causes of Negative Preaward Surveys, this study collected data on various factors listed in DCMC Preaward Survey files to ascertain if there were any trends associated with Negative Preaward Surveys. During this review, data were collected on the dollar value of proposed contracts, low dollar value Preaward Survey requests, business size, proposed contract type and the percentage of proposed contracts with financing arrangements. The data collected during this record review are presented in Tables 10 through 14.

With respect to the dollar value of proposed contracts, the data in Table 10 indicate that both the average and median dollar value of proposed contracts listed in Negative Preaward Surveys were significantly lower than the average and median dollar values listed in Positive Preaward Surveys. Of note, the median dollar value listed in Negative Preaward Surveys was just one third of the value listed in Positive Preaward Surveys. Although there is no supporting data, the researcher postulates that the reason for this disparity may be due to that fact that less established small businesses tend to bid on the lower value contracts. These type businesses typically have less capabilities, less experience and limited financial resources. As such, these type businesses tend to experience more difficulties during contract performance.

As depicted in Table 10, over 22 percent of Negative Preaward Surveys were caused by prospective contractors declining to participate in the Preaward Survey. A prospective contractor is deemed non-responsive when they decline to participate in the Survey, withdraw their bid or proposal, fail to extend

their bid or fail to furnish requested documentation. When this occurs, the prospective contractor fails to affirmatively demonstrate the general standards of responsibility cited in FAR 9.104-1 [Ref. 115:p. 9-1]. The data contained in Table 10 reflect that the average and median dollar value of proposed contracts for these type Negative Surveys is noticeably lower than the overall median dollar value for all Negative Preaward Surveys. Review of Preaward files revealed several cases of prospective contractors withdrawing their bid on these low dollar value contracts after learning that the PCO had requested a Preaward Survey. These contractors stated that the low dollar value of the proposed contract did not warrant the time, effort and resources required to participate in the Preaward Survey. Accordingly, those contractors chose to either formally withdraw their bid or decline to participate. In another instance, a prospective contractor admitted, after learning about a pending Preaward Survey, that they had not yet remedied all their delivery delinquencies. Knowing that their past delivery performance did not meet Government requirements, the prospective contractor withdrew their bid to avoid the time and expense of going through a Preaward Survey that would find them non-responsible. Although, not substantiated from documented files, several DCMC personnel stated that the high rate of withdrawn bids is due to indiscriminate bidding by inexperienced small businesses. These contractors perform a cursory review of proposed contract requirements and submit a bid without performing a thorough cost analysis or proposal review. After they submit their bid they start to learn what efforts are required to perform. At that point, the contractor realizes that they do not have the requisite capabilities and/or that they substantially underestimated the cost to perform.

One additional trend was noted with respect to low dollar value contracts listed in Negative Preaward Surveys. Low dollar contracts are defined as contracts having a proposed value of less than $25 thousand. Per the Federal Acquisition Regulation, PCOs should not request a low dollar value Preaward Survey unless circumstances justify its cost [Ref. 115:p. 9-3] As reflected in Table 11, approximately 21 percent of all Preaward Surveys conducted at DCMC Philadelphia during 1995 had a proposed dollar value less than $25 thousand. Of note, almost twice as many low value Preaward Surveys were Negative than Positive. This disparity may be attributed to the contract requirements found in many low value Preaward

Survey requests. As indicated in Table 11, over 43 percent of low dollar value Survey requests were for parts or material destined for critical end item applications. Typically, the manufacturing requirements for these procurements entail complex processes and require sophisticated inspection and quality assurance systems. The complex nature of contract requirements may explain the increased number of Negative Preaward Survey recommendations in this area. Additionally, if non-qualified small businesses bid on these contracts, they may receive a higher percentage of "No Award" recommendations due to their limited experience with contracts requiring stringent quality standards and controls.

During the Preaward Survey file review, data were collected on the size of businesses being surveyed and the relative percentage of Negative Preaward Surveys issued to both large and small businesses. Contractors report the size of their business as either "Large" or "Small" on all bids and proposals for Government contracts. Normally, PCOs do not challenge a contractor's business size claim unless they have specific knowledge of a discrepancy in this area. The size of the prospective contractor's business is then listed on the formal Preaward Survey request. The results of this record review are contained in Table 12. As reflected in this Table, approximately 75 percent of all Preaward Surveys performed by DCMC Philadelphia in 1995 were performed on Small Businesses. The high percentage of Surveys on small businesses is not surprising when viewed in light of why PCOs request Preaward Surveys. PCOs request Surveys when they do not have sufficient knowledge of a potential contractor's capabilities to perform on a Government contract. Typically, PCOs have sufficient knowledge at hand to make a responsibility determination on larger, more established businesses. Often, these businesses are currently performing on Government contracts and/or have a proven performance record on previous Government contracts. Under these circumstances, PCOs tend to use first hand knowledge about a contractor's capabilities in lieu of obtaining this information via a formal Preaward Survey. As noted by several PCOs, this practice reduces Procurement Administrative Lead Time (PALT). Additionally, this practice reduces the number of Preaward Surveys performed on "no or low risk" contractors. Given the above, these data suggest that PCOs are requesting Preaward Surveys only when needed and that DCMC Preaward Survey resources are being utilized effectively.

In addition to containing information on the number of Preaward Surveys performed on large and small businesses, Table 12 contains data on the relative percentage of Negative recommendations issued to large and small businesses. These data indicate that small businesses received a disproportionate percentage of "No Award" recommendations. Small businesses received Negative Preaward Surveys approximately 38 percent of the time, whereas large businesses received Negative Surveys approximately 7 percent of the time. As discussed previously, this disparity may be attributed in part to contractor inexperience, indiscriminate bidding practices, the high number of low dollar contracts with critical end item applications, and the high percentage of contractors declining to participate in low dollar value Preaward Surveys.

During the DCMC Preaward Survey file review, data were collected on whether the proposed contract was either a Fixed-Price type contract or a Cost-Reimbursement type contract. The purpose of this data collection was to determine if the contract type had any bearing on the number of Negative Preaward Surveys issued. The results of this research are summarized in Table 13. These data indicate that approximately 95 percent of all Preaward Surveys were performed on contractors vying for Fixed-Price type contracts and that Preaward Surveys were performed infrequently on contractors vying for Cost-Reimbursement type contracts. Additionally, these data indicate that Negative recommendations were rarely given on Surveys containing a Cost-Reimbursement type contract, whereas surveys on Fixed-Price type contracts mirrored the overall Negative recommendation rate. The reason for the higher rate of Positive recommendations on Cost-Reimbursement type contracts is probably attributed to the unique nature and requirements associated with these type contracts. Cost-Reimbursement type contracts are usually issued for large dollar value, highly complex and/or risky developmental requirements. In addition to possessing the requisite technical and management capabilities, prospective contractors must have an adequate accounting system to be eligible for award of a Cost-Reimbursement type contract. As such, larger sized and more established companies tend to propose on these type efforts. The larger, more established companies, by virture of their experience and resources, tend to have better contract performance records.

Lastly, data were collected on whether the proposed contract contained Progress Payment provisions. These data were collected to determine if the inclusion of financing arrangements in the contract had any bearing on the Preaward Survey recommendation. These data are summarized in Table 14. As reflected in this Table, approximately 15 percent of all Preaward Surveys performed by DCMC Philadelphia in 1995 contained financing provisions. The relatively low percentage of contracts with Progress Payment provisions is not surprising when viewed in conjunction with the fact that the median dollar value of all Preaward Surveys was approximately $127 thousand. Typically, PCOs do not include Progress Payment provisions in low dollar value contracts or contracts with relatively short periods of performance. As reflected in Table 14, the rate of Positive recommendations on Surveys containing financial arrangements was 8.6 percent, whereas the rate of Negative recommendations was 6.6 percent of all Preaward Surveys conducted. These data indicate that the inclusion of financing arrangements in a proposed contract had no or little bearing on the outcome of a Preaward Survey recommendation.

C. ANALYSIS OF REASONS WHY PROCURING CONTRACTING OFFICERS OVERRIDE NEGATIVE PREAWARD SURVEYS

The purpose of this section is to determine the primary reasons why Procuring Contracting Officers (PCOs) award a contract in the face of a Negative Preaward Survey recommendation. Data collected from Contract Administration Office (CAO) and Procuring Activity personnel interviews will be used to facilitate this analysis.

Prior to conducting an analysis on the reasons why PCOs override Negative Preaward Surveys, it is important to understand the frequency with which this event occurs. To gain insight into the magnitude of this issue, CAO and Procuring Activity personnel were interviewed to determine the frequency with which PCOs override DCMC's "No Award" recommendations. CAO and Procuring Activity responses are contained in Tables 24 and 35, respectively. Additionally, data were obtained via follow-up interviews with Procuring Activity personnel to determine if any of the 68 Negative Preaward Surveys issued by DCMC Philadelphia in 1995 were overridden by PCOs. These data are presented in Table 16. To facilitate comparison and analysis, the data from these three sources are summarized in Table 46. As reflected in

TABLE 46

FREQUENCY WITH WHICH PROCURING CONTRACTING OFFICERS OVERRIDE NEGATIVE PREAWARD SURVEYS

SOURCE	PCT OVERRIDEN
Actual Overrides of DCMC Philadelphia's 1995 Negative Preaward Surveys	13.2%
CAO Personnel Interviews	31.9%
Procuring Activity Personnel Interviews	15.5%
AVERAGE OF 3 SOURCES	20.2%

[Source: Tables 16, 24 & 35]

Table 46, the data obtained from Procuring Activity personnel interviews and actual contract award records at Procuring Activities are consistent. These data indicate Procuring Activity personnel believe that PCOs override Negative Preaward Surveys approximately 15 to 16 percent of the time, while actual overrides of Negative Preaward Surveys conducted in 1995 occurred at a frequency of 13.2 percent. The consistency of these data is not surprising since Procuring Activity personnel would have the greatest insight into contract awards and the circumstances surrounding those awards. Conversely, CAO personnel have relatively little insight into Procuring Activity's source selection process after issuance of a Preaward Survey. As reflected in Table 23, CAO personnel stated that they received notice of overridden contracts less than 7 percent of the time. Given the lack of Preaward Survey feedback to CAO personnel, there is a strong possibility that CAO responses may have been biased by limited experience, second hand information and/or the general lack of statistical data on this subject . Accordingly, the researcher believes that the Procuring Activity responses and the actual percentage of overridden Negative Surveys provide more representative data than CAO interview responses. Discounting CAO interview responses, these data indicate that PCOs override Negative Preaward Surveys approximately 15 percent of the time.

PCOs have a fiduciary responsibility to award contracts only to responsible contractors and to make the best business decision given the circumstances surrounding any given acquisition. The following section provides an analysis of why PCOs occasionally override DCMC's "No Award" recommendations. Data collected from CAO personnel interviews, Procuring Activity interviews and Procuring Activity files of overridden contracts will be used during the conduct of this analysis.

During the interview phase of this study, CAO and Procuring Activity personnel were asked to rank the three top reasons why PCOs override Negative Preaward Surveys. The responses to these questions are contained in Tables 26, 27, 28, 38, 39 and 40. These Tables provide individual responses to the first, second and third most frequent reasons for overriding a "No Award" recommendation. To facilitate analysis, the three individual responses were grouped together by activity and provided a weighted ranking to determine the relative frequency of a given response. The CAO and Procuring Activity response summaries are provided in Tables 47 and 48, respectively.

TABLE 47

MOST FREQUENT REASONS WHY PROCURING CONTRACTING OFFICERS
OVERRIDE NEGATIVE PREAWARD SURVEYS
(Contract Administration Office Personnel Interviews)

REASON	RAW SCORING #1 RANK	#2 RANK	#3 RANK	WEIGHTED SCORE	OVERALL RANK
SBA issued Certificate of Competency	16	4	1	57	1
No other source/sole source contractor	11	8	2	51	2
Contractor performed satisfactorily on recent contracts	1	5	4	17	3
Reported deficiencies won't impact proposed contract	0	4	5	13	4
Financial condition mitigated with Progress Payments	0	1	3	5	5 Tied
Meeting delivery schedule deemed not critical	0	2	1	5	5 Tied
PCO willing to accept reduced quality due to urgent need	0	2	0	4	7
Contractor successfully rebutted NEG PAS findings	0	0	3	3	8 Tied
Maintain industrial base	1	0	0	3	8 Tied
PCO received updated information since PAS issued	0	0	2	2	10 Tied
Best source of available contractor pool	0	1	0	2	10 Tied
Defects/Deficiencies are deemed minor	0	0	1	1	12

[Source: Tables 26, 27 & 28]

TABLE 48

MOST FREQUENT REASONS WHY PROCURING CONTRACTING OFFICERS
OVERRIDE NEGATIVE PREAWARD SURVEYS
(Procuring Activity Personnel Interviews)

REASON	RAW SCORING #1 RANK	#2 RANK	#3 RANK	WEIGHTED SCORE	OVERALL RANK
SBA issued Certificate of Competency	15	14	2	75	1
No other source/sole source contractor	13	3	4	49	2
PCO received updated information since PAS issued	3	9	4	31	3
Contractor performed satisfactorily on recent contracts	3	5	9	28	4
Reported deficiencies won't impact proposed contract	4	5	5	27	5
Contractor successfully rebutted NEG PAS findings	2	3	6	18	6
Financial condition mitigated with Progress Payments	0	0	3	3	7
Meeting delivery schedule deemed not critical	0	0	1	1	8
PCO willing to accept reduced quality due to urgent need	0	0	0	0	N/A
Maintain industrial base	0	0	0	0	N/A
Best source of available contractor pool	0	0	0	0	N/A
Defects/Deficiencies are deemed minor	0	0	0	0	N/A

[Source: Tables 38, 39 & 40]

In addition to obtaining data via CAO and Procuring Activity interviews, follow-up research was conducted on the nine Negative Preaward Surveys that were overridden by PCOs in 1995. The reasons for awarding these contracts in the face of a Negative Preaward Survey were obtained from follow-up interviews with cognizant Procuring Activity personnel. Their responses were based upon review of associated overridden contract award files. The specific reasons PCOs cited for awarding these contacts are contained in Table 17.

A summary of the data collected from the various sources is provided in Table 49. This Table provides CAO and Procuring Activity weighted scores and rankings for the various reasons for awarding a contract in the face of a Negative Preaward Survey. Additionally, this table lists the specific reasons given by PCOs for overriding nine Negative Surveys issued by DCMC Philadelphia in 1995. It should be noted however, that there were a total of just 13 reasons cited for these nine overrides. Although, these reasons provide insight into the source selection process, it was felt that this sample was too small to establish a meaningful ranking for this data source. Therefore, the following analysis will rely more heavily upon the responses cited by Procuring Activity and CAO personnel. When there is a discrepancy between these two sources, the Procuring Activity data will be presumed to be more representative since personnel assigned to these activities have direct involvement with source selection and contract award decisions.

The data presented in Table 49 clearly indicate that issuance of SBA COCs and sole source awards are the number one and two reasons given for overriding Negative Preaward Surveys. Additionally, these data suggest that there is a general consensus among CAO and Procuring Activity personnel that "recent satisfactory performance" is a frequently cited reason for overriding a Negative Survey. The largest disparity in the data concerns the frequency with which PCOs cite "receipt of favorable, updated information" as a reason for justifying an award. CAO personnel ranked this reason extremely low, while Procuring Activity personnel gave this reason the third highest ranking. In fact, PCOs cited "receipt of updated information" as the primary justification for awarding contracts on three of the nine overridden contracts identified in this study. The disparity between CAO and Procuring Activity rankings may be attributed to the lack of feedback CAO personnel receive on Preaward Surveys and subsequent contract

TABLE 49

MOST FREQUENT REASONS WHY PROCURING CONTRACTING OFFICERS
OVERRIDE NEGATIVE PREAWARD SURVEYS

REASON	NR CITED IN ACTUAL OVERRIDES	CAO WEIGHTED SCORE	CAO RANK	PROCURING ACTIVITY WEIGHTED SCORE	PROCURING ACTIVITY RANK
SBA issued Certificate of Competency	2	57	1	75	1
No other source/sole source contractor	1	51	2	49	2
Contractor performed satisfactorily on recent contracts	3	17	3	28	4
Reported deficiencies won't impact proposed contract	0	13	4	27	5
Financial condition mitigated with Progress Payments	0	5	5	3	7
Meeting delivery schedule deemed not critical	0	5	5	1	8
PCO willing to accept reduced quality due to urgent need	0	4	7	0	N/A
Contractor successfully rebutted NEG PAS findings	0	3	8	18	6
Maintain industrial base	0	3	8	0	N/A
PCO received updated information since PAS issued	3	2	10	31	3
Best source of available contractor pool	0	2	10	0	N/A
Defects/Deficiencies are deemed minor	0	1	12	0	N/A
Requiring Activity deleted/reduced requirements	2	O	N/A	0	N/A
Contractor corrected deficiencies noted in Negative PAS	1	O	N/A	0	N/A
Urgent Requirement in support of National Defense	1	O	N/A	0	N/A

[Source: Tables 16, 47 & 48]

award decisions. Conversely, Procuring Activity personnel have first hand knowledge of contract award decisions and the rationale behind those decisions. Discounting the CAO response bias, these data indicate that the "Issuance of SBA COCs", "Sole Source awards" and "Receipt of updated, favorable information " are the three most frequent reasons why PCOs award a contract in the face of a Negative Preaward Survey.

As indicated above, PCOs are empowered to weigh a multitude of factors and circumstances surrounding a particular procurement prior to making a contract award. In order to gain insight into the soundness of override decisions, CAO and Procuring Activity personnel were asked to provide the percent of overridden contracts that were justified. CAO and Procuring Activity responses are provide in Tables 25 and 36, respectively. These data indicate that there is wide divergence of opinion between those responsible for pre-award contract decisions and those responsible for post-award contract management. As indicated in these Tables, CAO personnel feel that 38.5 percent of overrides are properly justified, while Procuring Activity personnel feel an overwhelming 95.5 percent of overridden contracts are properly justified. The disparity in responses may be due to CAO personnel perceptions regarding the frequency of contracts awarded under SBA's Certificate of Competency (COC) Program and the belief that a high percentage of contractors experience performance problems under COC contracts. This assumption is supported by data contained in Tables 26, 27 and 28. These data indicate that CAO personnel believe that the issuance of SBA COCs is the number one reason for overridden contracts and that the percent of contracts completed satisfactorily under those circumstances is approximately 30 percent. The second reason for the disparity in data may be attributed to CAO personnel's lack of insight into the particular circumstances surrounding each procurement and the rationale for subsequent contract award. Given the potential bias of CAO responses, the researcher believes that Procuring Activity responses summarized in Table 37 provide a more representative view of the percentage of overridden contracts that are properly justified.

Procuring Activity personnel are responsible for ensuring contracts are only awarded to capable and responsible contractors. As refected in Table 37, Procuring Activity personnel believe that the vast majority of contracts awarded in the face of a Negative Preaward Survey are awarded to responsible

contractors. On the surface, this high percentage provided by Procuring Activity personnel may be considered biased and/or defensive. Some Procuring Activity personnel may have felt that they would be putting themselves "on report" if they stated some contract awards were not justified. This bias may have entered Procuring Activity responses, however the researcher believes that the vast majority of responses were given without bias. This belief is based upon a review of the reasons provided by Procuring Activity personnel for overridding Neagative Preaaward Surveys and the soundness behind those decisions.

As reflected previously in Table 49, the most frequently cited reasons for overriding a Negative Preaward Survey are "receipt of a SBA COC", "Sole Source award", "receipt of undated, favorable information" and "knowledge that the contractor performed satisfactorily on recent, similar contracts". Per the Federal Acquisition Regulation, PCOs are required to award contracts to Small Businesses who receive a Certificate of Competency from the Small Business Administration [Ref. 115:p. 19-33]. Under these circumstances, Procuring Activity personnel concurred with DCMC's "No Award" recommendation but were forced to make the award by regulation. Receipt of a COC is then used to "justify" the award. During personnel interviews, PCOs voiced a high level of confidence in their contact award decisions, but expressed a low level of confidence in SBA COC decisions. This viewpoint is supported by data contained in Tables 38, 39 and 40. These data indicate that Procuring Activity personnel believe that only 69 percent of all SBA COC issued contracts are completed satisfactorily. Of note, this same viewpoint was discovered during the review of the nine overridden contacts issued during 1995. During this review, PCOs stated that they would not have awarded contracts to the two contractors who had received SBA COCs.

The second, third and fourth most frequently cited reasons for overriding a "No Award" recommendation are "Sole Source award", "receipt of undated, favorable information" and "knowledge that the contractor performed satisfactorily on recent, similar contracts". In the case of sole source awards, the PCO's options are extremely limited. Often, the sole source contractor is the only known provider of the needed material and services or holds proprietary rights to the product, data or critical manufacturing processes. If the Service requirement is urgent, the PCO has no other choice but to award a contract to the sole source. As noted in Table 17, one of the nine overridden contracts discovered during this study was

awarded to a sole source contractor. In that case, the PCO justified the award by stating it would take too long to qualify a second source. Award of a contract under these circumstances is justified by the need to satisfy a Service requirement and delivery needs.

Receipt of updated, favorable information about a contractor's capabilities is the third most frequently cited reason for overriding a Negative Preaward Survey. The DOD business community operates in a fast pace, dynamic environment. The circumstances surrounding a particular procurement are not always static. Likewise, a prospective contractor's capabilities may change over time, even in the relatively short time between issuance of a Preaward Survey and the subsequent contract award decision. The contractor may have received a Negative recommendation based upon its failure or unwillingness to participate in a low dollar value Preaward Survey. In these cases, PCOs may obtain information from internal or external sources to facilitate a responsibility determination. For instance, commercially available financial reports are often used by Procuring Activities to assess a prospective contractor's financial capability. Also, the contractor may present updated information to the PCO indicating that a previously noted deficiency had been remedied. Under these circumstances, awards are justified based upon the receipt of updated information which indicates the contractor is responsible and eligible to receive an award.

The fourth most frequently cited reason for overriding a "No Award" recommendation is provided by PCOs when they possess personal knowledge or information that the contractor performed satisfactorily on recent, similar contracts. Under these circumstances the PCO does not necessarily disagree with historical past performance information contained in the Negative Preaward Survey. Instead, they provide a greater weighting and significance to the fact that the contractor had no problems performing on a recent contract requiring the same or similar requirements. Provided there are no significant changes in contract requirements and/or contractor capabilities, these overrides appear to be justified due to the low risk of contract performance problems and/or default.

Based upon the above analysis, the researcher concludes that the vast majority of contracts awarded in the face of a Negative Preaward Survey are justified either by the particular circumstances surrounding the procurement or by SBA COC regulations. Additionally, these data indicate CAO and Procuring Activity

personnel have a low level of confidence in SBA's Certificate of Competency award processes and decisions.

D. ANALYSIS OF DOD'S EXPERIENCE WITH CONTRACTS AWARDED IN THE FACE OF A NEGATIVE PREAWARD SURVEY

This section provides an analysis of DOD's experience with Contracts awarded in the face of a Negative Preaward Survey. Data collected from Contract Administration Office (CAO) and Procuring Activity personnel interviews will be used to facilitate this analysis. Additionally, data collected on specific contractor performance under overridden contracts will be presented in this section.

The analysis in the previous section determined the primary reasons why PCOs award a contract in the face of a "No Award" recommendation. This analysis concluded that the vast majority of overridden contracts appeared to be justified based upon the particular circumstances surrounding the procurement. However, the question of whether an award under those circumstances is justified becomes moot when the contractor begins performance on the contract. What matters then, is that the contractor performs within the terms and conditions of the contract.

To assess contractor performance under overridden contacts, CAO and Procuring Activity personnel were asked to list the percentage of overridden contracts completed satisfactorily under various contract award justifications. CAO responses to these questions are contained in Tables 26, 27 and 28, while corresponding Procuring Activity responses are presented in Tables 38, 39 and 40. To facilitate analysis, these data are summarized in Table 50. As indicated in this Table, there is a large difference of opinion between CAO and Procuring Activity responses. CAO personnel believe contracts awarded in the face of a Negative Preaward Survey are completed satisfactorily approximately 37 percent of the time, while Procuring Activity personnel believe the success rate under these circumstances is approximately 75 percent. The weighted average of CAO and Procuring Activity responses indicates that approximately 60 percent of overridden contracts are completed satisfactorily. The researcher believes that the disparity in the responses is too great to draw any conclusion with respect to the definitive percentage of overridden contracts completed successfully. However, these data do indicate that CAO personnel believe that

TABLE 50

PERCENT OF CONTRACTS AWARDED IN THE FACE OF A NEGATIVE PREAWARD SURVEY
THAT ARE COMPLETED SATISFACTORILY

REASON	NUMBER CAO RESPONSES	CAO PERCENT	NUMBER PROCURING ACTIVITY RESPONSES	PROCURING ACTIVITY PERCENT	WEIGHTED AVERAGE
SBA issued Certificate of Competency	21	31%	29	69%	53%
No other source/sole source contractor	21	36%	25	67%	52%
Contractor performed satisfactorily on recent contracts	10	37%	17	79%	63%
Reported deficiencies won't impact proposed contract	9	63%	14	86%	77%
Financial condition mitigated with Progress Payments	4	50%	3	80%	63%
Meeting delivery schedule deemed not critical	3	37%	0	N/A	37%
PCO willing to accept reduced quality due to urgent need	2	30%	0	N/A	30%
Contractor successfully rebutted NEG PAS findings	3	17%	11	79%	65%
Maintain industrial base	1	10%	0	N/A	10%
PCO received updated information since PAS issued	0	N/A	16	84%	84%
Best source of available contractor pool	1	30%	0	N/A	30%
Defects/Deficiencies are deemed minor	1	50%	0	N/A	50%
Weighted Average All Reasons	76	37%	115	75%	60%

[Source: Tables 26, 27, 28, 38, 39 & 40]

contracts awarded in the face of a "No Award" decision have greater performance risks. As discussed previously, this belief may stem from the limited Preaward Survey feedback CAO personnel receive from Procuring Activities and the general lack of insight into contact award decisions after issuance of a Preaward Survey. Additionally, the CAO responses may be biased by their belief that just 38.5 percent of overridden contracts are justified. Given this negative perception, CAO personnel are more likely to believe that overridden contracts are predestined to experience a greater percentage of performance problems. Conversely, Procuring Activity perception that approximately 96 percent of all override decisions are justified may account for their higher expectations of satisfactory contract performance.

In addition to the above factors, the different roles and responsibilities of CAO and Procuring Activity personnel may have biased their opinion concerning the percent of overridden contracts completed satisfactorily. CAO personnel are tasked to be the "eyes and ears" of Procuring Activities. One of their primary functions is to monitor contractor performance on a frequent basis. Individuals assigned this function become very familiar with contractor capabilities and problems. As such, they are typically subjected to all types of performance problems, including minor nuisance problems, on a daily basis. Given this knowledge and daily exposure to performance problems, CAO personnel may have unknowingly used a more strict grading scale during their responses to this interview question. Conversely, Procuring Activity personnel are not typically exposed to the minor or nuisance type performance problems experienced by contractors. Procuring Activity personnel are more concerned about satisfying a Service requirement for material and/or services and may not care about the contractor's trials and tribulations as long as the required products and/or services are delivered to end users. As such, Procuring Activity personnel may have used a more lenient grading scale during their responses. The use of strict grading scales by CAO personnel and use of more lenient grading scales by Procuring Activity personnel may have contributed to the divergence of data contained in Table 50.

Although a definitive conclusion cannot be made with respect to the overall percentage of overridden contracts completed successfully, the data in Table 50 provide an indication of the relative performance risk associated with various override decisions. As reflected in this Table, both CAO and Procuring

Activity personnel believe that contracts awarded via SBA COCs and sole source justifications experience more performance problems and are less likely to be completed satisfactorily. Conversely, Procuring Activity and CAO personnel have the greatest confidence in overridden awards when reported Negative Preaward deficiencies are believed to have no or little bearing on contract performance. Additionally, Procuring Activity responses indicate a high level of confidence when award decisions are based upon the receipt of updated favorable information, the contractor's successful rebuttal of Negative Preaward Survey findings and knowledge that the contractor has performed satisfactorily on recent, similar contracts. The researcher believes that these data reflect the relative risks associated with various contract award decisions and that this information could be used to develop preaward and post-contract award risk mitigation strategies.

In addition to gaining insight on contractor performance from interviews, data were collected on specific contractor performance under the nine overridden contracts identified during this study. Contractor performance was assessed via follow-up interviews with the DCMC Philadelphia personnel responsible for surveillance of those specific contracts. To facilitate analysis, DCMC personnel were asked to provide an overall rating of the contractor's performance and to cite specific performance problems noted, if any, under the overridden contract. The results of this study are presented in Tables 18 and 19. As reflected in these Tables, 67 percent of the overridden contracts were completed satisfactorily, while just 23 percent of contracts were rated marginal or unsatisfactory. Specific performance noted under the 3 contracts rated marginal or unsatisfactory are presented in Table 19. These data indicate that the most common factors causing marginal or unsatisfactory performance were late deliveries and quality assurance.

E. ALTERNATIVES FOR IMPROVING PREAWARD SURVEYS AS A SOURCE SELECTION AND RISK MANAGEMENT TOOL

The purpose of this section is to assess the effectiveness of the Preaward Survey process and to provide an analysis of various alternatives for improving Preaward Surveys as a source selection and risk management tool. Data collected from CAO and Procuring Activity interviews will be used to facilitate this analysis.

Prior to addressing specific alternatives for improving the Preaward Survey process, it is useful to understand the general impressions of how well the current process is working from those who use it the most. When asked this question during interviews, the majority of CAO and Procuring Activity personnel felt that the Preaward Survey process was working effectively and that Preaward Surveys were a useful tool.

The relatively small number of major problem areas noted in interview responses tend to support this general observation. Although the current process appears to be working well, many CAO and Procuring Activity personnel voiced concerns about certain aspects of the Preaward Survey process and offered recommended changes. Based upon the number of comments received, it appears that respondents were most concerned about the lack of Preaward Survey feedback to CAO personnel, the timeliness of Preaward Surveys and the adequacy of SBA Certificate of Competency decisions. To facilitate analysis, CAO and Procuring Activity concerns and recommended alternatives for improving the Preaward Survey process are grouped into the following categories:

1. Feedback on Preaward Surveys and Contract Award decisions
2. Timeliness and Content of Preaward Surveys
3. Adequacy of Small Business Administration Certificate of Competency Decisions
4. Communication of Preaward Survey Information
5. Alternative Uses of Preaward Survey Information during Source Selection
6. Alternative Uses of Preaward Survey Information during Post-Award Administration

The following sections present an analysis of the six areas outlined above.

1. Feedback on Preaward Surveys and Contract Award decisions

Many CAO personnel voiced concern about the lack of feedback they get from PCOs concerning the usefulness of Preaward Surveys and the specific award decisions made after issuance of a Preaward Survey. As reflected in Table 23, CAO personnel reported that they are notified of overridden Negative Preaward Surveys approximately seven percent of the time. It should be noted that this particular issue is not new to DOD. Peter M. Evans noted a similar lack of Preaward Survey feedback during a study

conducted in 1988. [Ref. P. 105] During the interview phase of this study, one Preaward Survey Manager (PASM) stated that DCMC sends a Customer Feedback Card with each Preaward Survey it issues. The Feedback Card solicits specific feedback on Preaward Surveys, as well as other DCMC products. Although this seems like a good method, the PASM noted that Procuring Activity personnel provide feedback on Positive Preaward Surveys less than 20 percent of the time and only rarely do they provide feedback on Negative Preaward Surveys. His explanation of why PCOs rarely provide feedback on overridden Preaward Surveys is provided below:

> The decision to override a Negative Preaward Survey decision may take significantly longer than normal contract awards due to possible involvement with SBA COC procedures, bid protests and/or higher management reviews. In these cases, a great deal of the PCO's time is consumed trying to resolve these issues. Given the time that may have lapsed between receipt of the Negative Preaward Survey and final contract award, PCOs may have just forgotten about providing feedback to the CAO. Their attention is probably focused on making the next of many contract awards. [Ref. 106]

CAO and Procuring Activity personnel agree that Negative Preaward Surveys contain useful information for post-award administration. As noted by one Procurement Analyst, "Negative Preaward Survey findings should be red flags for guiding contract administration efforts" [Ref. 20]. The key ingredient in this process however, is communication between the Procuring Activity and CAO. CAO personnel need to be informed shortly after award of an overridden contract to facilitate development of proactive surveillance and risk mitigation plans. Without this notice, CAO personnel may never know that a contractor has received an award in the face of a Negative Preaward Survey. As a case in point, CAO personnel did not know that contractors received awards on three of the nine overridden contracts discovered during this study. Consequently, the CAO took no extraordinary measures on those contracts. Performance on two of the three contracts was rated satisfactory by DCMC, however the third contract was rated marginal due to delivery problems.

To improve Preaward Survey feedback, numerous CAO personnel recommended that Procuring Activity personnel place the Preaward Survey Serial Number on the face of the contract, regardless of whether the Preaward Survey recommendation was positive or negative. This information can then be used to determine the required level of surveillance. Contractors who received a "No Award"

recommendation might receive increased surveillance in noted weak areas, while contractors who demonstrated satisfactory capabilities might receive reduced or no surveillance. Tailoring the surveillance level to the perceived requirement helps mitigate performance risk and helps ensure DCMC resources are utilized effectively. Several CAO personnel suggested that the Preaward Survey Manager widen the internal distribution of Negative Preaward Surveys within the CAO office. Most DCMCs have gone to a team based contracts management organization. As a result, this information may be needed by ACOs, Contract Administrators, Industrial Specialists, Quality Assurance Specialists, Cost/Price Analysts, specialized functional specialists, Team Leaders and DCMC management.

The specific recommendations discussed above appear to be relatively simple to implement with no significant start-up investment other than educating the acquisition work force on the benefits of improved Preaward Survey feedback. Additionally, these recommendations do not impose an undue administrative burden on either Procuring Activity or CAO personnel. The researcher believes that increased levels of Preaward Survey feedback will foster proactive contract administration and enhance the effectiveness of post-award contract management.

An alternate method for obtaining feedback on Preaward Surveys and contract award decisions is via the Customer Feedback Card issued with each Preaward Survey. If filled out, this feedback vehicle could provide useful information for improving the Preaward Survey process. However, as noted above, the response rates on customer service surveys are low. As such, this vehicle would not prove to be a very effective or reliable way to communicate information about contract award decisions. Therefore, the researcher believes that greater emphasis should be placed on putting Preaward Survey Serial numbers on contracts and widening the internal distribution of Negative Preaward Surveys within the CAO.

2. Timeliness and Content of Preaward Surveys

With respect to the timeliness of Preaward Surveys, there was a divergence of opinion between CAO and Procuring Activity personnel. The Federal Acquisition Regulation states that Procuring Activities should allow at least seven working days to perform a Preaward Survey [Ref. 115:p. 9-4]. However, several CAO personnel stated that seven days was usually not enough time to conduct a Preaward Survey

and issue a high quality report to the requesting activity. Additionally, CAO personnel stated that it takes approximately 15 days to perform a thorough survey and about 30 days if a secondary survey on a subcontractor is required. Accordingly, these same respondents recommended that DCMC should be allowed more time to conduct Preaward Surveys. On the other hand, a large number of Procuring Activity personnel stated that DCMC needed to improve their turn-around time on Preaward Surveys. Concurrent with this recommendation, Procuring Activity personnel stated that the Defense Contract Audit Agency (DCAA) needed to improve their turn-around time on Preaward Survey accounting system evaluations. To reinforce their comments, several respondents stated that PCOs and Buyers are reluctant to request a Preaward Survey due to a lengthy turn-around.

In addition to pressure from Procuring Activity personnel to improve the timeliness of Preaward Surveys, DCMC's top level report metrics place significant emphasis on Preaward Survey turn-around. Several Preaward Survey Managers voiced concern about the emphasis placed on competing a Preaward Survey within the requested time frame. These PASMs contend that this metric alone does not address the complete product and service they provide to a Procuring Activity. Instead, these PASMs believe that equal weighting should be given to the quality of the report. To bolster this position, CAO personnel noted that there is little value in a report that meets the report deadline, but fails to provide complete and accurate information to facilitate a responsibility determination. Conversely, there can be an argument made by Procuring Activity personnel that it doesn't matter when a report is submitted or whether it is submitted within the FAR guidelines of seven days. If the submission doesn't meet the PCO's timeline, then you have not satisfied your primary customer's needs.

Obviously, there are merits to CAO concerns about the time needed to submit a quality product and Procuring Activity's concerns about the timeliness of Preaward Surveys. The researcher believes that each request for a Preaward Survey is different, just as each procurement or acquisition is different. Some requirements are more complex than others and some will require a longer time to complete. Therefore, the application of a standard turn-around time may not take into account the complexity of the required effort. Some Surveys can be performed relatively quickly with information available on hand, while others

may require extensive on-site effort at the contractor's and subcontractors' facilities. Given the uniqueness of each Preaward Survey and the belief that the customer defines the end product, the researcher elected not to collect data on the number of days it took to complete Preaward Surveys. Instead, this section of the study will attempt to analyze alternatives which allow DCMC to submit quality Preaward Survey reports within the time frame defined and requested by the Procuring Activity. Anything less, would fail to meet DCMC customer needs.

The Procuring Activity's need for quicker turn-around on Preaward Surveys is probably being driven by pressures to reduce Procurement Administrative Lead Time (PALT) and the need to meet a Service requirement. On the other hand, the CAO's need for additional processing time is probably being driven by the amount of data that needs to be collected and analyzed, scheduling conflicts with contractors and the large coordination required to orchestrate a team wide Survey. Additionally, CAOs and Procuring Activities are both constrained by workload demands and limited resources. If a Procuring Activity had sufficient money, people and resources, they would be better able to plan their procurements and may be able to give DCMC more time to conduct Preaward Surveys. Likewise, if CAOs had more resources, they would be able to handle a higher workload and would probably be able to improve the turn-around on Preaward Surveys. However, given current fiscal constraints and the growing trend of Government down-sizing, it is highly unlikely that DOD will receive additional funding for these purposes.

In light of finite or dwindling resources at both CAOs and Procuring Activities, it appears that Preaward Survey timeliness is largely a resource allocation issue. Given this premise, the researcher believes that possible alternatives for improving the process should look at ways of freeing-up resources at both CAOs and Procuring Activities. These resources can then be reallocated to higher priorities or efforts which improve the Preaward Survey process.

One method of freeing-up resources is to improve the efficiency of an existing process. During the interview phase of this study, several CAO and Procuring Activity respondents stated that PCOs and Buyers should tailor their Preaward Survey requests more than they do now. These statements were based upon the belief that Procuring Activity personnel were asking for information that was not germane to the

procurement and/or that they did not need every Preaward Survey factor evaluated to facilitate a responsibility determination. Formal on-site Preaward Surveys are workload intensive, costly and time consuming. When applicable, the tailoring of a Preaward Survey helps DCMC focus on customer needs and helps ensure scarce CAO resources are utilized effectively.

In this same vein, existing Preaward Survey resources could be freed-up by utilizing phone Surveys more. DCMC Philadelphia provides an excellent case in point. When current information about a contractor's capabilities are already available, the DCMC Philadelphia PASM provides this information via a phone call to the PCO or Buyer. This practice satisfies a customer's need for information in a timely manner. Additionally, the use of phone surveys helps avert unnecessary formal on-site surveys and frees-up resources to satisfy other customer requirements. Several CAO personnel noted that this practice may not be pursued aggressively at other DCMCs, as it reduces reportable workload statistics. Although not substantiated, it is possible some DCMCs may elect to conduct formal Surveys almost exclusively to increase their workload statistics.

Within DOD, workload statistics are one of the tools used to determine budget and resource allocations. Not counting DCMCs co-located at contractor facilities, Tables 6 and 7 indicate that there were eight DCMCs within the continental United States which performed less than 50 Preaward Surveys each in 1996. This means that each of these DCMCs must maintain a staff and capabilities to perform Preaward Surveys at a rate of less than five per month. Of note, some performed Preaward Surveys at a rate of less than two per month. The requirement to conduct these surveys may be valid, however it may not be cost effective to maintain associated Preaward Survey overheads at each of these smaller DCMCs. One alternative for lowering costs and freeing-up resources is to have the Preaward reporting, management and supervision functions for these CAOs moved to a larger DCMC. Only the management and overhead responsibility would shift. The functional specialists would still be located at their original DCMC and would still service contractors located within their geographic area of responsibility. This alternative appears to have merit on the surface, however it is not known whether the personnel performing Preaward Survey overhead functions at the smaller DCMCs have other responsibilities which would make them

indispensable to that organization. Also, it is not known whether this alternative is cost effective. As this alternative has not explored all the possible ramifications associated with this shift of functions, the researcher recommends further study in this area.

In addition to the above DCMC alternatives, there are actions which Procuring Activities may take to improve the efficiency of the Preaward Survey process. Per Federal Acquisition Regulation Subpart 9.106-1, PCOs should only request a Preaward Survey under the following circumstances:

> A Preaward Survey is normally required only when the information on hand or readily available to the contracting officer is not sufficient to make a determination regarding responsibility. In addition, if the contemplated contract will have a fixed price at or below the simplified acquisition threshold or will involve the acquisition of commercial items (see Part 12), the contracting officer should not request a preaward survey unless circumstances justify its cost. [Ref. 115:p. 9-3]

The intent of the above guidance is to promote the effective utilization of available DCMC Preaward Survey resources and to reduce the Procurement Administrative Lead Time (PALT) on low dollar procurements. However, review of DCMC Preaward Survey files revealed that these guidelines are not always followed. As reflected in Table 11, 21 percent of all Preaward Surveys conducted by DCMC Philadelphia in 1995 were in support of low dollar value procurements. Out of these requests, PCOs and Buyers failed to justify approximately 56 percent of low dollar Survey requests. This study did not attempt to determine whether the failure to justify the low dollar value Preaward Survey was merely an oversight on the part of the PCO or Buyer. Some of the non-justified Surveys may have been needed to support critical end item applications. However, given the relatively high percentage of non-justified Surveys, these data indicate that Procuring Activities should screen their low dollar Preaward Survey requests more carefully to ensure that the circumstances justify its cost. Better screening of requests will help ensure that limited Preaward Survey resources are applied only where needed. Furthermore, the reduction or elimination of unjustified Survey requests will free-up resources to improve Preaward Survey turn-around and/or satisfy more critical customer needs.

In addition to addressing low dollar Preaward Survey requests, the FAR guidance cited above encourages Procuring Activities to utilize all available resources, including commercially available resources, to facilitate a contractor responsibility determination. As circumstances warrant, PCOs and

Buyers should aggressively pursue the use of information from other Government activities and commercially available resources. The following comments from a DLA Preaward Survey Process Action Team (PAT) report issued in 1995 provides an example of the types and breadth of information available from commercial resources.

> Commercial evaluations can provide data about the contractor's facilities and operations, and information concerning top management's business background and the contractor's corporate relationships. For example, Dun and Bradstreet Information Services (D&B) is one of several data suppliers under contract with the Government. D&B products include: Supplier Evaluation, Supplier Performance Review, and Critical Supplier Analysis (CSA). These reports draw upon information gathered from sources external to the company being reviewed, as well as from the company itself. Firms like D&B can provide financial statements, risk summaries, quality registration information, and performance measures. D&B's Small Business Sourcing File, for example, provides quick and easy access to information concerning more than 250,000 small businesses, including over 39,000 minority and 55,000 women-owned businesses. In all, D&B has profiles on over 18.5 million U.S. business locations. [Ref. 111]

The use of commercially available information, such as financial reporting services, trade publications and industry associations, provides numerous benefits to the acquisition process. Procuring Activities may receive information from a commercially available source more quickly than they could via a formal, on-site Preaward Survey. The DLA Preaward Survey PAT mentioned above, noted that most D&B reports are available immediately, while more extensive Critical Suppler Analysis (CSA) reports can be delivered in three to five days at a cost of approximately $400 [Ref. 111:p. 6-4]. The resulting reduction in PALT may enable the Procuring Activity to satisfy a customer's needs more quickly. Additionally, the greater use of commercially available resources reduces the Preaward Survey workload at DCMC. This reduction in workload may lead to improved turn-around on the more complex and critical Preaward Survey requests. It should be noted however, that this study did not collect data on how frequently Procuring Activities use commercially available information and did not collect data on the adequacy of such information. Assuming commercially available information is adequate to facilitate responsibility determinations, the researcher concludes that there are tremendous benefits associated with the use of commercially available information and that DOD's use of these resources should be promoted and expanded.

In addition to using commercially available sources to facilitate responsibility determinations, Procuring Activities could reduce their reliance upon DCMC Preaward Surveys by conducting more "Best

Value" source selections. During several interviews, Procuring Activity noted that they used to request significantly more Preaward Surveys when they were required to award contracts to the lowest qualified bidder. Now with emphasis being placed on "Best Value" procurement, these Procuring Activity Personnel stated that they no longer have to request a Preaward Survey on the lowest bidder if they determine that a higher bidder provides the best value to the Government. This reduction in Preaward Surveys was observed during the conduct of this study. As reflected in Tables 1 and 2, DCMC performed more Preaward Surveys in a ten month period in 1995 than they did for the entire calendar year of 1996. This reduction in the number of Preaward Surveys conducted could be attributed to the general decline in Defense budgets and more reliance upon commercially available information sources. Also, the following comments from Defense Personnel Support Center's Chief of Contract Clearance and Oversight attributes the decline of Preaward Survey requests at that activity to greater reliance upon alternative information sources and "Best Value" procurements.

> Over the last couple of years DPSC has reduced its reliance upon DCMC for Preaward Surveys to the point where we rarely request contractor capability information from them. This reduction is attributed to greater use of alternative and internal sources of contractor capability information. For instance, our PCOs and Buyers now have access to the World Wide Web and frequently obtain financial information directly via the Internet from Dun and Bradstreet (D & B). Perhaps the greatest reason for the reduction in Preaward Survey requests is due to best value procurement strategies. [Ref. 81]

As noted during several interviews, best value procurements have reduced Procuring Activity reliance upon DCMC for Preaward Survey requests and have reduced the time it takes to make an award. The reduction in DCMC's Preaward Survey workload should be viewed as an opportunity to improve the response time on those Survey requests that they do receive. Given the potential reduction to overall acquisition costs, the researcher believes that DOD should continue to emphasize best value procurement strategies.

The remainder of this section will present an analysis of alternatives for improving the content of Preaward Surveys. During the interview phase of this study, numerous recommendations were received concerning ways to improve the content of Preaward Surveys. In some cases, these comments were based upon receipt of a Preaward Survey from one source and may not have reflected a need for change

throughout DCMC. Instead of focusing on isolated cases, the following analysis will focus on comments and recommended changes which indicate a process change may be required to enhance the quality and/or use of Preaward Surveys.

One common theme appears to emerge from Procuring Activity comments and recommendations. Whether stated explicitly or implied, Procuring Activity personnel wanted additional information added to Preaward Surveys to enhance its use during source selection and best value decisions. Along these lines, Procuring Activity personnel recommended DCMC provide information on past performance history, trend analysis and the reasons behind contractor delinquencies. Several respondents expressed a desire for DCMC to include more analysis within the Survey vice just providing a presentation of data. Additionally, some Procuring Activity personnel thought that the inclusion of risk ratings on all evaluated factors and the addition of a third "Award Not Recommended" recommendation might improve the usefulness of Preaward Surveys during source selection and best value decisions.

Including more past performance history and providing trend analysis on the contractor's performance is well within the existing capabilities of DCMC. This information could be useful to a PCO or Buyer during best value decisions, but it is not necessary to have this level of detail in all procurement decisions. Instead of requiring DCMC to include this information in all Preaward Surveys, it might be more cost effective to provide this information on an as needed basis. As such, it might be beneficial to revise the Preaward Survey request form to include information on the proposed basis of award. DCMC personnel could then tailor their Survey report based upon how the PCO or Buyer indicated this information would be used. For instance, if the PCO indicated this Survey was going to be used in a best value source selection, DCMC could include more information on the contractor's past performance. Additionally, under these circumstances DCMC could also provide trend analysis and risk assessments on all requested categories. Additionally if the basis for award is best value with particular emphasis on a specific capability, DCMC could tailor their Survey to provide increased emphasis on the major factor being evaluated during source selection. However, if the Survey is required only for a traditional responsibility determination, DCMC could then provide a standard Preaward Survey Report on only those

factors requested for evaluation. The key ingredient in this recommended process change is better communication of the requirement. DCMC has the requisite capabilities to supply the requested information. The PCO or Buyer needs to ensure that their requirements and expectations are clearly communicated via the Preaward Survey request.

Several Contract Administrators recommended DCMC add a third recommendation block titled "Award Not Recommended" to the Preaward Survey form. As justification for this recommendation, they stated that the performance of some contractors are marginal, but not clear enough to distinguish between an "Award" or "No Award" recommendation. This third category could be used to signify that excessive Government oversight or assistance beyond what is contractually required may be necessary to ensure contract completion. This category would not completely eliminate a contractor from the source selection, but would make it easier to make an award based upon "Best Value" to the Government. The researcher believes that the information concerning the contractor's marginal performance is useful information for source selection and should be included in the comments section of the report, regardless of the report's ultimate recommendation. However, there is a danger that adding a third recommendation may add more subjectivity to Preaward Surveys. Furthermore, Procuring Activities may become frustrated customers if they start to get a lot of noncommittal recommendations. PCOs are looking for a specific recommendation from DCMC based upon the experience and judgment of the CAO personnel involved in the Preaward Survey process. Submitting an "Award Not Recommended" report may be viewed as pushing work back onto the customer. Accordingly, the researcher believes that DCMC should maintain the existing "Award" and "No Award" recommendations contained in current Preaward Surveys. These recommendations force DCMC to conduct analysis and make a decision, two products PCOs expect out of every Preaward Survey.

During the interview phase of this study, several CAO personnel expressed concern about the lack of specific guidelines for the functional specialists who perform Preaward Surveys. To remedy this situation, they recommended that DCMC establish a Preaward Survey Procedures Desk Guide and that they provide better training for functional specialists. They stated that the guidelines should make the Preaward Survey Process more uniform across the various DCMCs. In turn, the issuance of consistent,

high quality reports should give Procuring Activities more confidence in DCMC's ability to evaluate contractors' capabilities. Apparently this recommendation has been made in the past because DLA is currently in the process of publishing a procedures desk guide for functional specialists. As reported by DLA's Deputy Director of Contract Capability and Proposal Analysis, this desk guide is scheduled for publication around July 1997 [Ref. 124]. The researcher believes that a desk guide for functional specialists will improve the quality of Preaward Surveys as long as DLA and DCMC provide commensurate training shortly after the guide is distributed. Another pitfall which should be avoided, is to ensure that the desk guide is distributed to all functional specialists, especially those that operate out in the field. Based upon the researcher's personnel experience, those specialists are sometimes the last personnel within DCMC to receive news of policy and procedural changes.

3. Adequacy of Small Business Administration Certificate of Competency Decisions

This section of the study contains an analysis of the Small Business Administration's (SBA's) Certificate of Competency (COC) program and the adequacy of its COC award decisions. This analysis will be based primarily upon CAO and Procuring Activity personnel interview comments. One limitation of this portion of the study is that it presents DOD's experience only. The study did not attempt to gain insights into the COC process from SBA's or the contractor's perspective.

Universally, both CAO and Procuring Activity personnel voiced strong concerns about the SBA's role within the DOD acquisition process and the adequacy of SBA's COC award decisions. In particular, many respondents expressed frustration with SBA's perceived lenient COC award policy, the lack of accountability for SBA's actions, the apparent duplicative nature of the COC process and the authority SBA possesses to override DCMC's Negative Preaward Survey recommendations and PCO's non-responsibility determinations. Given that sentiment, it came as no surprise that a large number of respondents wanted to disestablish the SBA COC Program in its entirety. The following sections will analyze the recommendation to disestablish the COC Program as well as those recommendations which suggest improvements within the existing frame work of the program.

The main argument presented for disestablishing the SBA COC Program is that this Program duplicates, in part, the Preaward Survey role performed by DCMC. Additionally, respondents are quick to point out that SBA's track record in assessing prospective contractor capabilities has been historically poor. Adding support to this perception is the data contained in Table 50. These data reflect that CAO and Procuring Activity personnel believe that just 53 percent of all COC awarded contracts are completed satisfactorily. As such, the SBA COC Program costs taxpayers an enormous amount of money to perform a mission which often results in additional outlays of time, money and resources. In this era of limited resources, the Government can ill afford the cost of duplicative programs. The researcher finds it difficult to find any fault with the above argument other then the lack of hard performance data to support respondents' perceptions that almost half of SBA's COC award decisions result in unsatisfactory contract performance. Not withstanding this limitation, the researcher believes that the conduct of a second capability survey on a prospective contractor after DCMC has performed a Preaward Survey is duplicative. Based upon the results of this study, there is no indication that DCMC's Preaward Survey process is flawed or biased against small businesses. In fact, the data in Table 34 indicate that Procuring Activities find DCMC's Preaward Surveys to be useful during source selection. As such, there is no basis to warrant a second survey by SBA. On that argument alone, the researcher recommends disestablishment of the SBA COC Program.

In lieu of performing surveys on small businesses, the researcher believes that SBA should use Negative Preaward Survey findings in their small business development and training programs. SBA's focus should be to find ways to improve a prospective contractor's capabilities to the level which makes them eligible for future awards. For instance, SBA could provide small businesses training and counsel on bid preparation and cost analysis. Prospective contractors could then use this information to determine if they possess the requisite capability to perform on a particular contract and whether they have correctly estimated the cost of performance. This training could lead to a reduction in the number of indiscriminate bids submitted to Procuring Activities. Additionally, SBA's network of small business specialists could work directly with contractors who had received a Negative Preaward Survey. These experienced

specialists could provide analysis on the reasons for the "No Award " recommendation and assist the contractor with development of a corrective action plan.

The remainder of this section will provide an analysis of recommendations which propose improvements within the existing framework of the SBA COC Program. Several Procuring Activity personnel expressed concern that DOD effectively loses control over contract award decisions after a Negative Preaward Survey is forwarded to the SBA. These personnel contend that they are responsible and accountable for making good business judgments for the DOD. When the award decision passes to SBA, these personnel believe that SBA assumes responsibility but not the corresponding accountability for making an award decision. SBA's involvement after contract award is believed to be minimal at best. CAO and Procuring Activity personnel must live with the consequences, both good and bad, of SBA's COC decision. Many respondents stated that this lack of accountability after issuance of a COC may have a bearing on the quality of SBA's COC award decisions and the high percentage of performance problems experienced under SBA's COC Program. In order to tie accountability with responsibility, CAO and Procuring Activity personnel recommended that the ultimate award decision reside with the PCO. If this is not possible, they recommended that SBA administer all contracts awarded under the SBA COC Program. The later recommendation would certainly instill greater accountability within the COC Program, however it is doubtful that SBA has the resources or capabilities to administer these contracts. Additionally, such an arrangement would establish costly duplicative capabilities, inefficiencies and confusion. Additionally, this recommendation would run counter to the "one face" the Government tries to present to industry. Therefore, this recommendation is considered not to be a viable alternative by the researcher. However, the recommendation to allow DOD veto power on all COC awards does have considerable merit due to the arguments presented above. If the SBA COC Program is not disestablished, the researcher believes DOD should retain the right to make final award decisions on their requirements.

Numerous Procuring Activity personnel stated that the SBA COC process is entirely too lengthy. To shorten the turn-around time, these respondents recommended that SBA assign a representative to DCMC Preaward Survey teams. The SBA representatives could either act as observers or team members

to facilitate a concurrent SBA review on prospective small business contractors. This would improve the turn-around time on SBA COC decisions and could foster improved communication between SBA COC personnel and DCMC. Additionally, the participation in DCMC Preaward Surveys may give SBA greater insight into DCMC's rationale for making "No Award" recommendations. Conversely, SBA's participation may give DCMC personnel insight into SBA's rationale for making COC award decisions. SBA could use this knowledge and experience to improve their small business development and training programs. Although this recommendation has considerable merit, SBA may not have the personnel resources to assign representatives to each DCMC Preaward Survey team and may not have the resources to participate in every Preaward Survey conducted on a small business. Also, SBA may object to this arrangement because of fears that their COC personnel may lose their objectivity. Even if SBA does not have the resources to populate each DCMC Preaward Survey team, the researcher believes that this recommendation has considerable merit. At a minimum, DOD should extend an invitation to SBA to participate on selected Preaward Survey teams on a trial or cross training basis. Also, as a standard operating procedure, DCMC may want to invite SBA participation in Preaward Surveys conducted on known or suspected high risk contractors.

During the interview phase of this study, CAO and Procuring Activity personnel recommended that SBA discuss its rationale with DCMC prior to issuance of a COC. This gives DCMC an opportunity to assess SBA's rationale for overriding DCMC's "No Award" recommendation. It also provides DCMC an opportunity to provide additional information or clarification of DCMC's concerns. If SBA does issue a COC, several respondents recommended that SBA furnish COC findings and its rationale to the cognizant CAO and Procuring Activity. Requiring SBA to forward COC findings and associated justifications could instill greater accountability into the COC process. As with Negative Preaward Survey information, COC findings could be useful during post-award planning and contract administration. The cost of implementation is considered to be low and neither recommendation would impose an undue administrative burden on SBA or DOD personnel. Given the above benefits, the researcher recommends that DOD pursue implementation of these recommendations.

4. Communication of Preaward Survey Information

This section provides an analysis of recommendations to improve the communication of Preaward Survey information. Data collected from CAO and Procuring Activity personnel interviews will be used to facilitate this analysis.

In general, many CAO and Procuring Activity personnel expressed the opinion that the Preaward Survey process was working effectively and that Preaward Survey information was useful during source selection and post-award administration. However, several respondents noted that improvements could be made in how Preaward Survey information is communicated to users. As pointed out by several respondents, the value of Preaward Survey reports are limited substantially, if the findings are not disseminated to all potential users.

To increase awareness of Preaward Survey findings, several CAO personnel recommended that Preaward Survey Mangers (PASMs) invite all DCMC team members, including ACOs, to participate in Preaward Surveys on known or suspected "high risk" contractors. It was felt that DCMC team members who did not participate directly in a Preaward Survey were left out of the Preaward Survey process and subsequent contract management decisions. These respondents believe that greater participation by ACOs , and Quality Assurance Specialists could lead to the development of more effective surveillance and risk mitigation plans. Related to the above recommendation, several Procuring Activity personnel recommended that CAOs invite cognizant technical activity personnel to participate in Preaward Surveys whenever the contract requires manufacture of highly technical or complex items. The knowledge and experience of these personnel could help ensure that the prospective contractor fully understands the technical aspect of contract requirements and that they have the requisite capabilities to perform the proposed contract. In light of the potential benefits noted above and DCMC's current team approach to contract management, the researcher believes that greater team participation in "high risk" Preaward Surveys should be encourage throughout DCMC. Additionally, as discussed in a previous section, SBA should be encourage to participate as well.

Another vehicle which could be used to increase the communication of Preaward Survey findings is the Post-Award Orientation Conference. Typically, these conferences are held after issuance of a contract to a relatively new defense contractor or when the contract requirements are extremely complex or require extensive management and oversight. Besides contractor participation, these conferences may be attended by various CAO, Procuring, Technical and Requiring Activity personnel. The purpose of these conferences is ensure all parties have a mutual understanding of the contract requirements and the course of action to achieve successful contract completion.

During several interviews, CAO and Procuring Activity personnel noted the benefits of Post-Award Orientation Conferences and recommended that DOD increase the use and frequency of Post-Award Orientation Conferences whenever a contract is awarded in the face of a Negative Preaward Survey. These respondents stated that these conferences should place particular emphasis on ensuring the contractor fully understands contract requirements and the requirement to correct deficiencies noted in the Negative Preaward Survey. To enhance the effectiveness of this tool, PCOs should ensure appropriate CAO team members participate in these conferences. CAO participation is needed to facilitate development of appropriate surveillance and risk mitigation plans. If needed, there can be a "Government Only" meeting prior to the meeting with the contractor to validate plans, discuss specific areas of concern and ensure that the Government presents "one face" to the contractor during the Post-Award Orientation Conference. Given the low notification rate of overridden contracts reflected in Table 23, the researcher concludes that Post-Award Orientation Conferences are underutilized on contracts awarded in the face of a Negative Preaward Survey. Provided the circumstances, potential benefits and risks justify its use, the researcher recommends DOD expand the frequency and use of Post-Award Orientation Conferences whenever overridden contracts are issued under high risk circumstances. For instance a conference may be warranted when a contract is issued under a sole source or SBA COC situation. Whereas, a conference may not be warranted when a contractor has demonstrated satisfactory performance on recent, similar contracts or when the PCO made the award based upon receipt of updated, favorable information about the contractor's capabilities.

One Contract Specialist at a Procuring Activity wanted Preaward Survey information to be more accessible to PCOs and Buyers and suggested that DOD establish a centralized database or Government Bulletin Board that can be accessed via the Internet. When PCOs and Buyers need information on a prospective contractor's capabilities, they could first search this database to see if a current Preaward Survey is on file. If a current Preaward Survey is on file and the planned procurement is similar to the efforts evaluated in the Survey, the PCO could use this information to help make a responsibility determination. If a current Survey is not on file, the PCO could then request an update to an outdated Survey or request a new Survey depending upon their needs.

In addition to providing information on DCMC generated Preaward Surveys, this database could be used to capture and disseminate surveys performed by non-DCMC activities. The sharing of survey information across agencies, could reduce costly duplication of efforts within the Government and reduce the level of Government intrusion placed upon industry. Additionally, use of such a database could lead to a reduction in DCMC Preaward Survey workload. DCMC could then take advantage of this reduction in workload to improve the quality and timelines of those Survey requests they do receive.

The cost to implement and maintain a centralized Preaward Survey may be cost prohibitive or the perceived need for this tool may be less than some higher priority DOD projects. Also, there may be difficulties coordinating efforts across multiple Government Agencies and there may be Preaward Survey standardization issues that would have to be resolved prior to implementation. If such a database were established, there is a risk that PCOs may make responsibility determinations based upon outdated or non-pertinent surveys. As discussed previously, CAO personnel were concerned that PCOs were making responsibility determinations based upon General Purpose Surveys vice from contract specific Preaward Surveys. To ensure the integrity of the process, PCOs and Buyers would have to carefully assess whether current Survey findings accessed via the database could be applied to their particular procurement. If not, they would need to request a new Survey from DCMC. Also, there might be concerns about what constitutes a "current" survey. The capabilities of a contractor may change over time for better or worse. Therefore, to ensure the findings of a particular survey are still applicable, PCOs and Buyers may need to

verify this information with the cognizant issuer of the Survey. As with any database, there may be concerns about data integrity. If this system is adopted, the system developers should take measures to ensure that data entry and maintenance does not create an undue administrative burden on activities which are already resource constrained. Not withstanding the above concerns. the researcher believes that the potential benefits of such a database are high. Accordingly, the researcher believes that DOD should investigate the establishment of a centralized Preaward Survey database to facilitate the communication and sharing of Preaward Survey findings among all Government Procurement Activities.

5. Alternative Uses of Preaward Survey Information During Source Selection

This section provides an analysis of alternative uses of Preaward Survey information during the source selection stage of the DOD acquisition process. This analysis will be based upon CAO and Procuring Activity interview data presented in Chapter III.

In general, the majority of comments received from Procuring Activity personnel indicate that Preaward Surveys are an effective tool for contractor responsibility determinations. As designed, these Surveys make a recommendation with respect to a contractor's capability to perform a given contract. In addition to this function, some Preaward Surveys can be used to facilitate a limited source selection function. Most Negative Preaward Surveys and some Positive Preaward Surveys are used by PCOs to exclude non-responsible and marginal contractors from the pool of contractors being considered for award. In this regard, Preaward Surveys told the PCO who not to select. Although useful for these two purposes, several PCOs noted that Preaward Surveys could not always be used to help determine which contractor to select in a best value procurement. This is especially true with positive Preaward Surveys, where the report may not contain any distinguishing comments, either positive or negative, with respect to a contractor's capabilities.

As discussed previously in this chapter, Procuring activity personnel thought that adding more performance history, trend analysis and risk analysis would make Preaward Surveys a better source selection tool. Additionally, they recommended DCMC include more analysis of the contractor's strengths and weaknesses vice just presenting data and facts. In addition to the above recommendations

from Procuring Activity personnel, several CAO personnel recommended that PCOs assign a higher weight to Preaward Survey findings during source selection. In particular, delivery performance and past performance history could be used to assist source selection decisions. For good reason, DOD has placed tremendous emphasis over the last several years to make contract awards based upon best value to the Government. As noted by one Contracts Manager, "award to a marginal contractor based upon lowest price does not always yield the best value to the Government, especially if that contractor subsequently defaults" [Ref. 81]. Provided the above recommendations are adopted by DCMC, the researcher believes that Preaward Surveys could be a viable and useful tool during best value procurement decisions. Accordingly, the researcher recommends DCMC implement the above recommendations and look for additional ways to enhance the usefulness of Preaward Surveys during source selection.

6. Alternative Uses of Preaward Survey Information During Post-Award Administration

This last section provides an analysis of alternative uses of Preaward Survey information during post-award administration. This analysis will be based upon CAO and Procuring Activity pesonnel interview comments and recommendations.

As reflected in a number of interview responses, Procuring Activity personnel do not spend much time on post-award decisions and management. Several PCOs and Buyers noted the majority of these post-award management responsibilities are delegated to DCMC. When PCOs are involved in post-award decisions, they tend to use Negative Preaward Survey information more often than positive information. Procuring Activity personnel stated they primarily use Negative Preaward Survey information to determine the level of post-award surveillance required of DCMC. Relatively few Procuring Activity personnel indicated they use this information to mitigate performance risk via changed contract terms and conditions. As expected, Procuring Activity use of positive Preaward Survey information after contract award is even lower than their use of negative Survey findings. The data in Table 44 reflect that Procuring Activity personnel use positive survey information for post-award decisions less than 45 percent of the time. Based upon Procuring Activity interview responses, the researcher concludes that Preaward Survey information is not being used to its full potential at Procuring Activities.

As expected, interview responses from CAO personnel indicated greater use of Preaward Survey information than Procuring Activities' use of this information. When asked to indicate the usefulness of Negative Preaward Survey information during post-award administration, the data in Table 31 reflect that the majority of CAO personnel found this information useful, while close to half the respondents stated this information was very useful. When asked how this information is used, a large percentage of respondents stated they use this information to develop post-award surveillance plans. The range of responses received from CAO personnel indicate that these individuals understand the potential uses of Preaward Survey information. However, this study did not collect data to determine whether this knowledge was actually used to develop specific surveillance and risk mitigation plans on overridden contracts. The researcher believes the actual use of Preaward Survey information for this alternative purpose is lower than reflected in CAO interview responses. This opinion is based upon the low seven percent notification rate on overridden contracts reflected in Table 23 and CAO personnel concerns about limited internal Preaward Survey distribution within the DCMC. Additionally, it was noted that DCMC personnel were not aware of two of the nine overridden contracts discovered during this study. As such, no special surveillance or risk mitigation plans were developed for those contracts.

In order to increase the use of Preaward Survey information as a risk mitigation tool during post-award planning and management, several Preaward Survey Managers recommended that Preaward Surveys be promoted more aggressively as part of DCMC's "Early Contract Administration Services (CAS)" program. One part of this program focuses on the evaluation of contractors' performance capabilities during source selection. This part of the Early CAS Program helps PCOs select capable contractors and identify potential performance risks. As a team, Procuring Activity and CAO personnel should use the information learned during both positive and negative Preaward Surveys to develop appropriate levels of surveillance and specific risk mitigation plans.

Prior to making an award in the face of a Negative Preaward Survey, Procuring Activity and CAO personnel should discuss possible ways to alter contract terms and conditions to increase the probability of successful contract completion. Such mitigation actions might include the use of

performance bonds, progress payments, First Article Testing, frequent inspection points, liquidated damages, contract incentives and directed sources of material. When circumstances warrant, the team should establish a specific surveillance plan for each contractor who has received an overridden contract. This plan should address specific actions to mitigate the risks associated with each Negative Preaward Survey finding. If forced to award an overridden contract to a sole source contractor, Procuring Activity and CAO personnel should discuss whether the contractor's performance history and current capabilities warrant parts breakout for competitive procurement or the need to qualify additional vendors. If the Preaward Survey findings are positive, Procuring Activity and CAO personnel should discuss the risks, if any, associated with reducing or elimination post-award surveillance.

Given the above analysis, the researcher concludes that DOD is currently not taking full advantage of Preaward Survey information as a source selection and risk management tool. The researcher believes that expanded use of Preaward Survey information during source selection and post-award contract management will improve the DOD acquisition process.

F. SUMMARY

Based upon the foregoing analysis, the researcher concludes that the Preaward Survey process is generally operating effectively but that improvements could be made to enhance its use as a source selection and risk management tool. The vast majority of Procuring Activity personnel believe that Preaward Surveys provide useful information for contractor responsibility determinations. As such, the current process helps ensure that only responsible and capable contractors receive Government contracts. Although effective in this role, the researcher concludes that Preaward Surveys may not always be useful to facilitate source selection decisions. Additionally, this study concludes that Preaward Surveys are underutilized as a risk management tool during preaward decisions and post-award contract management. Specific recommendations to enhance Preaward Surveys as a source selection and risk management tool are provided in Chapter V.

V. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

The overall purpose of this study is to examine the Department of Defense's (DOD's) experience with contracts awarded in the face of a Negative Preaward Survey and assess the effectiveness of the Preaward Survey process as a source selection and risk management tool. Upon completion of the analysis presented in Chapter IV, the researcher concludes that the Preaward Survey process is operating at a reasonable level of efficiency and effectiveness, but that improvements could be made to enhance its use as a source selection and risk management tool. This conclusion is based upon findings that Preaward Survey information is being utilized effectively for contractor responsibility determinations. However, it was noted that Preaward Surveys are not always useful to facilitate source selection decisions and that Preaward Surveys are not being fully utilized as a risk management tool during preaward decisions and post-award contract management. The remainder of this Chapter provides a detailed summary of specific conclusions for the individual research questions, recommended changes to the Preaward Survey process and suggested areas of further study.

The Defense Contract Management Command (DCMC) performs the most Preaward Surveys within DOD. In 1996, DCMC performed over 3400 Preaward Surveys on prospective Government contractors. The vast majority of these prospective contractors were small businesses vying for relatively low dollar value DOD contracts. From a sample of Preaward Surveys performed at one DCMC in 1995, the median dollar value of proposed contracts was approximately $127,000, with 47 percent of the contracts valued at less than the Simplified Acquisition Threshold ($100,000) specified in the Federal Acquisition Regulation. Approximately 23 percent of all Preaward Surveys performed by DCMC in 1996 resulted in a "No Award" recommendation. The primary reason for issuance of a Negative Preaward Survey was due to the

contractor's production capability, followed by financial, quality and technical capabilities. Typically, these four factors account for over 90 percent of the Negative Preaward Surveys issued by DCMC.

There is a general perception among Contract Administration Office (CAO) personnel that a relatively high percentage of DCMC's "No Award" recommendations are overridden by Procuring Contracting Officers (PCOs) and that the vast majority of these decisions are not justified. During this study, Contract Administration Office (CAO) personnel believed that approximately 32 percent of all Negative Preaward Surveys are overridden by PCOs. Out of these awards, CAO personnel believe that just 38.5 percent of these are fully justified. The basis for this belief is primarily due to a perception that only a third of overridden contracts are completed satisfactorily. This study concludes that the percentage of contracts awarded in the face of a Negative Preaward Survey is much lower than CAO personnel perceptions. Out of 68 Negative Preaward Surveys issued by DCMC Philadelphia in 1995, just nine or 13.2 percent of these were overridden by PCOs. This percentage is in line with Procuring Activity personnel perceptions that approximately 15 percent of Negative Preaward Surveys are overridden by PCOs.

The most frequently cited reasons for overriding a Negative Preaward are "receipt of a Small Business Administration (SBA) Certificate of Competency (COC), "receipt of undated, favorable information about a contractor's capabilities" and "knowledge that the contractor has performed satisfactorily on recent similar contracts." Based upon analysis of these reasons presented in Chapter IV, the vast majority of overridden contracts are justified either by the particular circumstances surrounding the procurement or by SBA COC regulations.

To assess contractor performance under overridden contracts, CAO and Procuring Activity personnel were asked to list the percentage of contracts completed satisfactorily under various contract award justifications. In response, CAO personnel stated that 37 percent of overridden contracts are completed satisfactorily, while Procuring Activity personnel stated that 75 percent are completed satisfactorily. This divergence in data makes it difficult to draw a definitive conclusion with regard to the overall percentage of overridden contracts which are competed satisfactorily. However, the data collected in this area indicate the relative risks associated with various override decisions. Both CAO and Procuring Activity personnel

believe that contracts awarded via SBA COCs and sole source justifications experience more performance problems and are less likely to be completed satisfactorily. Conversely, CAO and Procuring Activity personnel have the highest confidence in awards based upon the following reasons: "Negative Preaward Survey findings are believed to have little or no bearing on contract performance," "Receipt of favorable, updated information about the contractor's capabilities," "Successful rebuttal by the contractor of Negative Survey findings," and "The contractor has performed satisfactorily on recent, similar contracts." Given the above findings, the researcher concludes that the greatest performance risks are associated with overridden contracts awarded under SBA COC and sole source justifications. To mitigate contract performance risks, DOD personnel should consider the relative risks associated with an override decision during the development of procurement strategies and post-award management plans.

Universally, both CAO and Procuring Activity personnel voiced strong concerns about the SBA's role within the DOD acquisition process and the adequacy of SBA's COC award decisions. In particular, DOD personnel expressed frustration with SBA's perceived lenient COC award policy, the lack of accountability for SBA's actions, the apparent duplicative nature of the COC process, the timeliness of COC determinations, and the authority SBA possesses to override DCMC's Negative Preaward Survey recommendations and PCO's non-responsibility determinations. A large part of the frustration expressed by these respondents stems from the perception that less than half of the contracts awarded under COC circumstances are completed satisfactorily. Although this study did not collect data to substantiate CAO and Procuring Activity personnel perceptions, the researcher believes that the conduct of a second capability survey on a prospective contractor after DCMC has performed a Preaward Survey is duplicative. Also, as noted in this study, the current DCMC Preaward Survey process was judged to be operating effectively as a contractor responsibility determination tool. Therefore, there are no data to indicate that DCMC Preaward Surveys are biased against Small Businesses. As such, this study concludes that SBA's COC program performs an unnecessary, duplicative function.

Although, most CAO and Procuring Activity personnel felt that the Preaward Survey process is working effectively, many CAO personnel voiced concern about the lack of Preaward feedback on the

usefulness of Preaward Surveys and the specific award decisions made after issuance of a Preaward Survey. On average, Procuring Activities provide feedback on Positive Preaward Surveys less than 20 percent of the time and notice of overridden contracts less than seven percent of the time. Additionally, when notice is provided to DCMC, many CAO personnel stated that they do not always receive a copy of Preaward Survey findings via internal DCMC distribution channels. The researcher believes that the lack of Preaward Survey feedback from Procuring Activities and limited distribution of Survey reports within the CAO, hampers DCMC's ability to develop proactive risk mitigation plans on overridden contracts. Also, the information contained in Positive Preaward Surveys may not be used to tailor post-award surveillance plans. Given the above, this study concludes that the information contained in both Positive and Negative Preaward Surveys may be underutilized as a risk mitigation tool during post-award contract management.

In addition to the lack of feedback on Preaward Surveys, CAO and Procuring Activity personnel noted that improvements could be made in how Preaward Survey information is communicated to users. As pointed out by several respondents, the value of a Preaward Survey report is limited substantially, if the findings are not disseminated to all potential users. To improve the current communication, respondents recommended DCMC encourage greater participation in the conduct of Preaward Surveys and greater use of Post-Award Orientation Conferences on known or "high risk" contractors . To increase the availability and sharing of Preaward Survey data, several Procuring Activity personnel recommended creation of a centralized Preaward Survey data base which could be accessed via the Internet. Based upon these comments, this study concludes that improvements could be made to improve the accessibility and dissemination of Preaward Survey information.

During the conduct of this study, many Procuring Activity personnel expressed concern about the timeliness of Preaward Surveys. Several PCOs stated that they do not always request a Preaward Survey because the turn-around time does not meet their needs. Additionally, Procuring Activity personnel stated that DCAA needed to improve the turn-around time on Preaward Survey accounting system evaluations. Conversely, CAO personnel stated that they needed more time than the seven working days specified in the

FAR to conduct a high quality Preaward Survey, and that they should be given additional time to perform the Survey [Ref. 115:p. 9-4]. The researcher believes both concerns presented above are valid from each presenter's viewpoint. However, given the perspective that the customer defines the end product and specifies the due date, this study concludes that Preaward Survey turn-around does not always meet the needs of DCMC's customers. Accordingly, DCMC should aggressively pursue ways to improve the timeliness of Preaward Surveys and seek alternative ways to satisfy customer requests for contractor capability information.

During the interview potion of this study, DOD personnel provided numerous comments and recommended changes to improve the content of Preaward Surveys. One common theme emerged from these interviews. Procuring Activity personnel thought that Preaward Surveys were a useful tool to facilitate contractor responsibility determinations but that Preaward Surveys were not always useful for source selection and best value decisions. Most Negative Preaward Surveys and some Positive Preaward Surveys are used by PCOs to exclude non-responsible or marginal contractors from the pool of contractors being considered for award. However, Preaward Surveys could not always be used to help determine which contractor to select in a best value procurement. To enhance the usefulness of Preaward Surveys during source selection, Procuring Activity personnel recommended that Preaward Surveys contain more information on past performance, noted trends, ongoing corrective actions and risk assessments. Additionally, PCOs and Buyers wanted DCMC to provide more analysis of the data contained in the Preaward Survey, vice just presenting data and facts. CAO personnel recommended that PCOs assign a higher weight to Preaward Survey findings, particularly delivery performance and past performance history, during source selections. Given the above, this study concludes that Preaward Surveys are not always useful during source selection. The researcher believes that many of the recommendations presented above have the potential to enhance Preaward Surveys as a source selection tool during best value procurements.

In general, CAO and Procuring Activity personnel believe that Preaward Surveys are useful for post-award planning and management. The majority of Procuring Activity personnel stated that they primarily

use Preaward Survey information to determine the level of post-award surveillance required of DCMC. However, a relatively few number of PCOs stated that they use this information to mitigate performance risk via changed contract terms or conditions. As expected, CAO personnel stated that Preaward Survey information was very useful during post-award contract management. When asked how they use this information, the majority of CAO personnel stated that this information was used to develop post-award surveillance plans. This study did not conduct follow-up research of contract files to determine if Preaward Survey information was actually used to change contact terms and/or develop surveillance and risk mitigation plans on overridden contracts. However, the researcher believes the use of Preaward Surveys for these alternate purposes is much lower than indicated by CAO and Procuring Activity responses. This belief is based upon the reported low Procuring Activity use of Preaward Survey information after contract award, the low notification rate on overridden contracts and the limited internal distribution of Preaward Surveys within DCMC. Accordingly, the researcher concludes that DOD is not taking full advantage of Preaward Survey information as a source selection and risk management tool.

B. RECOMMENDATIONS

The following recommendations are provided to improve the efficiency and effectiveness of the Preaward Survey process. Additionally, the researcher believes that these changes will also enhance the Preaward Survey process as a source selection and risk management tool. These recommendations are based upon the analysis contained in Chapter IV and the conclusions presented in this Chapter.

1. DCMC should limit the number of Preaward Surveys performed on low dollar value contracts to only those required in support of a critical mission or application.

All non-critical requests for contractor capability information with a proposed contract value below $100,000 should be accomplished via alternate Government sources or commercially available sources. As noted in this study, almost half of Preaward Surveys conducted by one DCMC in 1996 involved contracts valued at less than the $100,000. Adoption of this recommendation will significantly reduce the number of Preaward Surveys performed by DCMC and allow DCMC to reallocate scarce resources to higher priority requirement. As noted during in a 1995 DLA Contract Administration Services

Process Action Team Report, Procuring Activities can often obtain contractor responsibly information via commercially available sources more quickly than via a formal on-site Preaward Survey.

2. DCMC and its customers should seek mutually beneficial ways to improve the timelines of Preaward Surveys.

One way to improve turn-around is to encourage the tailoring of Preaward Survey requests. This helps DCMC focus on customer requirements and helps ensures that effort is not wasted collecting information that is not needed for contractor responsibility determinations or source selection decisions. In addition to encouraging the use of commercially available sources of contractor capability information, DCMC should investigate alternative ways to satisfy customer requests for contractor capability information.

3. To improve feedback on contract award decisions after issuance of a Preaward Survey, emphasis should be renewed on placing the associated Preaward Survey Serial number on the face of the contract, and when a contract is awarded in the face of a Negative Preaward Survey, the Procuring Activity should notify the Preaward Survey Manager (PASM) of the contract award and award justification.

This notification should occur shortly after the award and should be made via the most expeditious means possible. The PASM should then ensure that all cognizant CAO team members are provided a copy or have ready access to Negative (and Positive) Preaward Survey findings. These recommendations should help facilitate proactive development of appropriate contract surveillance and risk mitigation plans.

4. To facilitate increased use of Preaward Survey findings, DCMC should aggressively promote Preaward Surveys as part of their "Early Contract Administration Services (Early CAS)" Program.

This program ensures that PCOs have the information they need to select capable contractors and helps identify potential performance risks. As such, Preaward Surveys are an integral component of DCMC's Early CAS Program. In addition to using Early CAS, CAO and Procuring Activities should increase their use of Post-Award Orientation Conferences on known or suspected "high" risk contractors who have received marginal ratings or a "No Award" recommendation. The information contained in Preaward Surveys should be used as points of discussion during these conferences. On all high risk overridden contracts or contracts requiring additional management attention, the CAO should be required

to have a written surveillance and mitigation plan which addresses all areas of concern contained in a Preaward Survey.

5. To facilitate expanded use of Preaward Surveys during best value procurements, DCMC should include more information on past performance, noted trends, ongoing corrective actions and risk assessments.

Additionally, DCMC personnel should be given feedback that PCOs and Buyers desire more analysis of the data contained in the Preaward Survey, vice just presenting data and facts. Depending upon the procurement strategy, Procuring Activities should consider applying a higher weighting to Preaward Survey information, such as delivery performance and past performance history, during source selections. These actions will enhance the usefulness of Preaward Surveys as a source selection tool, especially during best value procurements.

6. Procuring Activities should expand their use of Preaward Survey information during pre-award contract planning and management.

Prior to awarding a contract in the face of a Negative Preaward Survey, PCOs should review the Negative Survey findings with CAO personnel to determine if the contract terms and conditions could be altered to mitigate performance risk. For instance, the particular procurement situation and Negative Preaward Survey findings may warrant inclusion of performance bonds, progress payments, First Article Testing, frequent inspection points, liquidated damages, contract incentives and directed sources of material. Proactive planning prior to contract award may reduce post-award performance problems and overall acquisition costs.

7. The SBA COC Program should be disestablish in its entirety. This program duplicates efforts performed by DCMC.

The SBA COC Program costs taxpayers an enormous amount of money to perform this mission with results that often result in additional outlays of time, money and resources. In this era of limited resources and budget constraints, the Government can ill afford the cost of duplicative programs. In lieu of performing COC determinations, SBA should focus on ways to improve a perspective contractor's capability to a level which makes them eligible to compete on future awards.

8. If the SBA COC Program is not disestablish, SBA should be encouraged to participate in DCMC Preaward Surveys performed on known or suspected "high risk" contractors.

Non-traditional Preaward Survey participants within the CAO team should also be encouraged to participate in these surveys. The SBA representatives could either act as observers or team members to facilitate a concurrent SBA review on prospective small business contractors. This would improve the turn-around time on SBA COC decisions and could foster improved communication between SBA and DCMC.

9. To increase the accountability of SBA COC decisions, SBA should be required to discuss its rationale with DCMC prior to issuance of a COC.

This gives DCMC an opportunity to assess SBA's rationale for overriding DCMC's "No Award" recommendation. It also provides DCMC an opportunity to provide additional information or clarification of DCMC's concerns. If SBA does issue a COC, SBA should be required to furnish COC findings and its rationale to the cognizant CAO and Procuring Activity. Requiring SBA to forward COC findings and associated justifications could instill greater accountability into the COC process. As with Negative Preaward Survey information, COC findings could be useful during post-award planning and contract administration. As another means to increase the integrity of the acquisition process, DOD should aggressively pursue the right to override a COC determination on its own requirements. .

10. To facilitate communication of Preaward Survey data, DOD should investigate the feasibility and desirability of establishing a centralized Preaward Survey database which could be accessed via the Internet.

An accessible database may shorten the time it takes to make a responsibility determination, decrease the number of Preaward Surveys performed by DCMC and improve the efficiency of the Preaward Survey process.

C. ANSWERS TO THE RESEARCH QUESTIONS

This section provides answers to the study's primary and seven subsidiary research questions. The answers are based upon the analysis contained in Chapter IV and the conclusions presented in this Chapter. The subsidiary research questions support the answer to the primary research question. As such, answers

to the seven subsidiary questions will be presented first, followed by the answer to the primary research question.

1. What is a Preaward Survey and how are Preaward Surveys used as a source selection tool?

Preaward Surveys are a method used to determine a prospective contractor's capabilities to perform on a proposed Government contract. These Surveys provide PCOs with useful information about a contractor's production, technical, management, quality assurance, financial, and overall business capabilities. When the Survey discovers negative or marginal findings about a contractor's capabilities, the PCO can elect to use this information to exclude that contractor from the pool of contractors being considered for contract award. In some cases, Preaward Survey information, such as past performance history and risk assessments, may be used to facilitate a ranking of the contractor's capabilities during a "best value" procurement strategy.

2. What is a Negative Preaward Survey and what are the various DOD policies with respect to awarding a contract in the face of a Negative Preaward Survey?

A Negative Preaward Survey is a report which contains negative findings about a contractor's capabilities to perform on a proposed Government contract. In these cases, DCMC found the prospective contractor non-responsible and issued a "No Award" recommendation to the Procuring Activity. The Federal Acquisition Regulation (FAR) and various Service regulations do not prohibit a PCO from overriding a Negative Preaward Survey. However, these regulations require that the PCO make a responsibility determination prior to award of a Government contract and that the PCO document the contract award file to that effect. In some cases, local regulations or procedures may require management review at a level higher than the PCO.

3. What are the relative percentages of positive and negative Preaward Survey recommendations?

In 1996, DCMC conducted over 3,400 Preaward Surveys on prospective Government contractors. Approximately 77 percent of these Surveys were positive, while 23 percent were negative. These percentages represent an average across DCMC's three districts. Some of the larger, non-resident DCMCs reported Negative Preaward Survey rates as high as 42 percent.

4. What are the primary causes of Negative Preaward Survey recommendations and what impact do they have on contract performance?

The majority of Negative Preaward Survey recommendations were caused by deficiencies in a contractor's production, financial and quality assurance capabilities. Under these circumstances, DCMC usually noted poor production planning, unsatisfactory delivery performance, demonstrated quality problems or lack of a quality assurance system, and inadequate financial resources. If these deficiencies were not corrected at time of award or shortly thereafter, there is a high probability that the contractor would experience the same or similar performance problems on the instant contract.

5. How closely do the reasons for contract performance failures line up with associated negative Preaward Survey recommendations?

This question assumes that a PCO has reviewed all the circumstances surrounding the particular procurement and Negative Preaward Survey findings and has decided to award a contract in the face of a Negative Preaward Survey. The correlation of a contractor's performance on an overridden contract depends largely upon the circumstances surrounding the award and the PCO's decision for overriding DCMC's "No Award" recommendation. There is a high correlation between negative performance and Negative Preaward Survey findings when the award is based upon an SBA COC decision or sole source justification. However, there is a greater probability that the contract will be completed satisfactorily when the PCO bases the award upon the following override justifications: (1) the contractor has performed satisfactorily on recent, similar contracts, (2) the PCO received updated, favorable information about the contractor's capabilities, (3) the contractor has successfully rebutted Negative Preaward Survey findings or corrected noted deficiencies, and (4) the reported deficiencies are deemed not to have a material impact on the contractor's ability to perform the proposed contract.

6. Do any of the reasons for awarding a contract in the face of a negative Preaward Survey play a role in a contractor's satisfactory or unsatisfactory performance?

As discussed in the response to question number five above, the circumstances surrounding the particular procurement and the associated override justification may mitigate some of the risks associated with overridden contracts. For example, knowledge that the prospective contractor has recently received a

letter of credit from a bank may mitigate deficit working capital concerns noted in a Negative Preaward Survey. Likewise, knowledge that the contractor has recently supplied the same or similar item to another Government activity or commercial customer may mitigate the performance risk on the proposed contract.

7. What changes to the use of Preaward Surveys are needed to enhance it as a part of the source selection process?

Currently, Preaward Surveys are a useful tool to facilitate contractor responsibility determinations. To enhance its effectiveness during source selection, DCMC should include more information on past performance, noted trends, ongoing corrective actions, and risk assessments. Additionally, Procuring Activities should consider assigning Preaward Survey information, such as delivery performance and past performance history, a higher weighting during source selections.

8. What is DOD's experience with contracts awarded in the face of a negative Preaward Survey recommendation and how might this information be used to improve the source selection process?

This study concludes that DCMC issues a Negative Preaward Survey approximately 25 percent of the time and that PCOs override DCMC's "No Award" recommendation approximately 15 percent of the time. The vast majority of contracts awarded in the face of a Negative Preaward Survey appear to be justified based upon either SBA COC regulation or the specific circumstances surrounding the procurement. Based upon a review of the decisions provided for overriding Negative Preaward Surveys, it appears that PCOs are weighing all relevant factors prior to making a responsibility determination and subsequent award decision. PCOs have a high degree of confidence in the vast majority of award decisions under their control, but have a low degree of confidence in SBA COC decisions and sole source awards. This concern is validated in subsequent contract performance. Contracts awarded under SBA COC decisions and sole source awards experience more performance problems. Conversely, contract awards based upon knowledge of recent satisfactory performance or updated, favorable information about a contractor's capabilities have less performance risk.

In light of the above findings, DOD should tailor its procurement strategies and preaward risk mitigation plans based upon the relative risks associated with various override justifications. Additionally, greater emphasis should be placed on changing contract terms and conditions, as necessary, to mitigate the

risks associated with overridden contracts. As warranted, Procuring Activities should expand the use of best value procurement strategies and should alter future procurement strategies based upon lessons learned under overridden contracts.

D. AREAS OF FURTHER RESEARCH

As noted in Chapter I, the scope of this study was limited to specific research questions concerning DOD's experience with contracts awarded in the face of a Negative Preaward Survey. As such, this study only covered a portion of the issues surrounding the DCMC Preaward Survey process. The following areas are recommended for further research:

1. Evaluate SBA COC procedures to ensure the adequacy of COC decisions. To facilitate this study, the researcher should evaluate the relative percentages of COCs issued versus the number of COCs requested but declined, as well as the associated reasons for issuing or denying a COC. Additionally, data on contractor performance should be evaluated to determine if there are greater performance risks associated with various COC justifications.

2. Evaluate the cost effectiveness of maintaining a Preaward Survey capability and associated Preaward Survey management staff at DCMCs which perform a relatively low number of Preaward Surveys on a monthly basis. Assess whether the Preaward Survey function at these smaller DCMCs could be assumed by a surrounding, larger DCMC. Determine the pros and cons of such a transfer of function.

3. Compare DOD's Preaward Survey process with industry source selection and responsibility determination procedures to determine if any industry practices could be adopted by DOD.

4. Conduct a study to determine the universe of commercially available products which could satisfy a customer's request for contractor responsibility information and assess the adequacy of each potential alternative.

5. Assess the feasibility of developing a centralized Preaward Survey database which could be accessed via the Internet. Determine the pros and cons associated with such a database. Compare the advantages and disadvantages of a DOD developed database against a system which relies solely upon commercially available contractor information sources.

APPENDIX A

INTERVIEW QUESTIONS FOR CONTRACT ADMINISTRATION OFFICE PERSONNEL

1. What is your current position? (Please circle the appropriate letter).

   a. Administrative Contracting Officer (ACO)
   b. Contract Administrator or Contract Specialist
   c. Industrial Specialist
   d. Quality Assurance Specialist
   e. Cost/Price Analyst
   f. Other (please list): _____

2. How many years of experience do you have in government contract administration? (Please circle the appropriate letter).

   a. Less than 2 years
   b. 2 to 5 years
   c. 5 to 10 years
   d. Over 10 years

3. What percentage of time do Procuring Activities notify you or your organization when they award a contract in the face of a negative Preaward Survey recommendation? (I.e., The PCO overrides a "No Award" recommendation and awards a contract to that contractor anyway). (Please circle one of the percentages below and provide any desired comments in the space provided).

   NEVER ALWAYS

   0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

   Comments:_____

4 Based upon your experience, how frequently do Procuring Activities award a contract in the face of a negative Preaward Survey recommendation? (Please circle one percentage below).

   NEVER ALWAYS

   0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

   Comments:_____

5. Do you feel that the awarding of contracts in the face of a negative Preaward Survey are properly justified by the Procuring Activity? (Please annotate the percent you feel are justified).

NEVER ALWAYS

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

6. What is the MOST frequent reason PCOs give for awarding a contract in the face of a negative Preaward Survey? (Please circle only one choice).

a. No other source/sole source contractor
b. Contractor has performed satisfactorily on most recent contract(s)
c. Marginal financial condition can be mitigated with Progress Payments
d. Meeting delivery schedule is not critical
e. PCO willing to accept reduced quality to meet urgent service requirement
f. SBA issued a Certificate of Competency (COC)
g. PCO received updated information about the contractor's capabilities
h. Contractor successfully rebutted negative Preaward Survey findings
I. Reported deficiencies won't impact contractor's ability to perform the proposed contract
j. Other (Please List) _____

7. Based upon your response to question number 6 above, what percentage of contracts are completed satisfactorily (no or minimal problems noted) under these circumstances? (Please circle only one percentage).

NONE ALL

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

8. What is the SECOND MOST frequent reason PCOs give for awarding a contract in the face of a negative Preaward Survey? (Please circle only one choice).

a. No other source/sole source contractor
b. Contractor has performed satisfactorily on most recent contract(s)
c. Marginal financial condition can be mitigated with Progress Payments
d. Meeting delivery schedule is not critical
e. PCO willing to accept reduced quality to meet urgent service requirement
f. SBA issued a Certificate of Competency (COC)
g. PCO received updated information about the contractor's capabilities
h. Contractor successfully rebutted negative Preaward Survey findings
i. Reported deficiencies won't impact contractor's ability to perform the proposed contract
j. Other (Please List) _____

9. Based upon your response to question number 8 above, what percentage of contracts are completed satisfactorily (no or minimal problems noted) under these circumstances? (Please circle only one percentage).

NONE ALL

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

10. What is the THIRD MOST frequent reason PCOs give for awarding a contract in the face of a negative Preaward Survey? (Please circle only one choice).

a. No other source/sole source contractor
b. Contractor has performed satisfactorily on most recent contract(s)
c. Marginal financial condition can be mitigated with Progress Payments
d. Meeting delivery schedule is not critical
e. PCO willing to accept reduced quality to meet urgent service requirement
f. SBA issued a Certificate of Competency (COC)
g. PCO received updated information about the contractor's capabilities
h. Contractor successfully rebutted negative Preaward Survey findings
i. Reported deficiencies won't impact contractor's ability to perform the proposed contract
j. Other (Please List) _____

11. Based upon your response to question number 10 above, what percentage of contracts are completed satisfactorily (no or minimal problems noted) under these circumstances? (Please circle only one percentage).

NONE ALL

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

12. Please rank the FIVE most common reasons why contractors receive a negative Preaward Survey recommendation. (1 being the most common reason, 2 being the second most common reason, etc.).

REASON	RANK	REASON	RANK
Technical	_____	Govt Property Control	_____
Production	_____	Transportation	_____
Quality Assurance	_____	Packaging	_____
Financial	_____	Security Clearance	_____
Accounting System	_____	Plant Safety	_____
Environmental	_____	Non-Responsive	_____
Other: _____	_____		

13. When a contractor's performance on a contract awarded in the face of a negative Preaward Survey is marginal or unsatisfactory, how frequently do the contractor's performance failures or deficiencies line up with associated negative Preaward Survey findings?

NEVER ALWAYS

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

_____

14. If a contractor is awarded a contract in the face of a negative Preaward Survey recommendation, do you find this information useful to you during post-award contract administration? (Please annotate on a scale of 0 to 10 the usefulness of this information with 0 signifying "No Use" and 10 signifying "Very Useful").

NO USE VERY USEFUL

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0 1 2 3 4 5 6 7 8 9 10

Comments: _____

_____

_____

15. Considering your responses to question 14, please provide specific examples of how you use negative Preaward Survey information during post-award contract administration.

Examples: _____

_____

_____

_____

_____

_____

16. What changes to the Preaward Survey process would you recommend to enhance its effectiveness as a source selection tool?

Recommendations: _____

_____

_____

_____

_____

_____

17. What changes to the Preaward Survey process would you recommend to enhance its effectiveness as a risk management tool during post-award contract administration?

Recommendations: _____

18. Please feel free to write down any additional comments you may have about the Preaward Survey process.

General Comments: _____

APPENDIX B

INTERVIEW QUESTIONS FOR PROCURING ACTIVITY PERSONNEL

1. What is your current position? (Please circle the appropriate letter).

   a. Procuring Contracting Officer (PCO)
   b. Contracts Manager
   c. Contract Specialist
   d. Buyer
   e. Procurement Analyst
   f. Other (please list): _____

2. How many years of experience do you have in government acquisition? (Please circle the appropriate letter).

   a. Less than 2 years
   b. 2 to 5 years
   c. 5 to 10 years
   d. Over 10 years

3. Do you find the information contained in Preaward Surveys useful during source selection? (Please annotate on a scale of 0 to 10 the usefulness of this information with 0 signifying "No Use" and 10 signifying "Very Useful").

   NO USE VERY USEFUL

   0 1 2 3 4 5 6 7 8 9 10

   Comments: _____

4 How frequently do you or your organization award a contract in the face of a negative Preaward Survey recommendation? (I.e., The PCO overrides a "No Award" recommendation and awards a contract to that contractor anyway). Please circle one percentage below.

   NEVER ALWAYS

   0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

   Comments: _____

5. What percentage of time do you or your organization notify Contract Administration Offices (CAO) of contracts awarded in the face of a negative Preaward Survey recommendation? (Please circle one of the percentages below and provide any desired comments in the space provided).

NEVER ALWAYS

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

6. Do you feel that the awarding of contracts in the face of a negative Preaward Survey are properly justified by you or your organization? (Please annotate the percent you feel are justified).

NEVER ALWAYS

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

_____

7. What is the MOST frequent reason you or your organization give for awarding a contract in the face of a negative Preaward Survey? (Please circle only one choice).

a. No other source/sole source contractor
b. Contractor has performed satisfactorily on most recent contract(s)
c. Marginal financial condition can be mitigated with Progress Payments
d. Meeting delivery schedule is not critical
e. PCO willing to accept reduced quality to meet urgent service requirement
f. SBA issued a Certificate of Competency (COC)
g. PCO received updated information about the contractor's capabilities
h. Contractor successfully rebutted negative Preaward Survey findings
I. Reported deficiencies won't impact contractor's ability to perform the proposed contract
j. Other (Please List) _____

8. Based upon your response to question number 7 above, what percentage of contracts are completed satisfactorily (no or minimal problems noted) under these circumstances? (Please circle only one percentage).

NONE ALL

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

_____

9. What is the SECOND MOST frequent reason you or your organization give for awarding a contract in the face of a negative Preaward Survey? (Please circle only one choice).

   a. No other source/sole source contractor
   b. Contractor has performed satisfactorily on most recent contract(s)
   c. Marginal financial condition can be mitigated with Progress Payments
   d. Meeting delivery schedule is not critical
   e. PCO willing to accept reduced quality to meet urgent service requirement
   f. SBA issued a Certificate of Competency (COC)
   g. PCO received updated information about the contractor's capabilities
   h. Contractor successfully rebutted negative Preaward Survey findings
   i. Reported deficiencies won't impact contractor's ability to perform the proposed contract
   j. Other (Please List) _____

10. Based upon your response to question number 9 above, what percentage of contracts are completed satisfactorily (no or minimal problems noted) under these circumstances? (Please circle only one percentage).

NONE ALL

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

11. What is the THIRD MOST frequent reason you or your organization give for awarding a contract in the face of a negative Preaward Survey? (Please circle only one choice).

   a. No other source/sole source contractor
   b. Contractor has performed satisfactorily on most recent contract(s)
   c. Marginal financial condition can be mitigated with Progress Payments
   d. Meeting delivery schedule is not critical
   e. PCO willing to accept reduced quality to meet urgent service requirement
   f. SBA issued a Certificate of Competency (COC)
   g. PCO received updated information about the contractor's capabilities
   h. Contractor successfully rebutted negative Preaward Survey findings
   i. Reported deficiencies won't impact contractor's ability to perform the proposed contract
   j. Other (Please List) _____

12. Based upon your response to question number 11 above, what percentage of contracts are completed satisfactorily (no or minimal problems noted) under these circumstances? (Please circle only one percentage).

NONE ALL

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

13. Please rank the FIVE most common reasons why contractors receive a negative Preaward Survey recommendation. (1 being the most common reason, 2 being the second most common reason, etc.).

REASON	RANK	REASON	RANK
Technical	_____	Govt Property Control	_____
Production	_____	Transportation	_____
Quality Assurance	_____	Packaging	_____
Financial	_____	Security Clearance	_____
Accounting System	_____	Plant Safety	_____
Environmental	_____	Non-Responsive	_____
Other: _____	_____		

Comments: _____
_____
_____

14. When a contractor's performance on a contract awarded in the face of a negative Preaward Survey is marginal or unsatisfactory, how frequently do the contractor's performance failures or deficiencies line up with associated negative Preaward Survey findings?

NEVER ALWAYS

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____
_____
_____

15. Do you find the information contained in negative Preaward Surveys useful for post-contract award planning and decisions? (Please annotate on a scale of 0 to 10 the usefulness of this information with 0 signifying "No Use" and 10 signifying "Very Useful").

NO USE VERY USEFUL

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0 1 2 3 4 5 6 7 8 9 10

Comments: _____
_____
_____
_____

16. Considering your responses to questions 15 above, please provide specific examples of how you use negative Preaward Survey information in post-contract award planning and decisions.

Examples: _____
_____
_____
_____
_____

17. How frequently do you use positive Preaward Survey information in post-contract award planning and decisions?

NEVER ALWAYS

|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Comments: _____

_____

_____

18. Considering your response to question 17 above, please provide specific examples of how you use positive Preaward Survey information in post-contract award planning and decisions.

Examples: _____

_____

_____

_____

_____

_____

_____

_____

_____

_____

19. What changes to the Preaward Survey process would you recommend to enhance its effectiveness as a source selection tool?

Recommendations: _____

_____

_____

_____

_____

_____

_____

_____

20. What changes to the Preaward Survey process would you recommend to enhance its effectiveness as a risk management tool during post-award contract administration?

Recommendations: _____

_____

_____

_____

_____

APPENDIX C

GLOSSARY OF ACRONYMS

ACO	Administrative Contracting Officer
CAO	Contract Administration Office
COC	Certificate of Competency
DCAA	Defense Contract Audit Agency
DCMC	Defense Contract Management Command
DCMD	Defense Contract Management District
DFARS	DOD Federal Acquisition Regulation Supplement
DLA	Defense Logistics Agency
DOD	Department of Defense
FAR	Federal Acquisition Regulation
GAO	General Accounting Office
PALT	Procurement Administrative Lead Time
PAS	Preaward Survey
PASM	Preaward Survey Manager
PASRB	Preaward Survey Review Board
PCO	Procuring Contracting Officer
PROCAS	Process Oriented Contract Administration Services
SBA	Small Business Administration

SELECTED REFERENCES

1. Agononi, Linda, Defense Contract Management Command Philadelphia, Contract Administrator, Interview granted, 13 March 1997

2. Aldridge, H. R., Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Procuring Contracting Officer, Interview granted, 13 March 1997

3. Antonali, Joseph, Navy Inventory Control Point Mechanicsburg, Contract Specialist, Interview granted, 12 March 1997

4. Barnaby, J.A. and Bohannon, K.J., *An Investigation of Negative Preaward Surveys as an Indicator of a Contractor's Inability to Meet a Delivery Schedule*, M.S. Thesis, Air Force Institute of Technology, Wright-Patterson Air Force Base, OH, January 1975

5. Biancardi, Andrew P., *Pre-Award Survey Enhancement*, Air University, Air War College, Maxwell Air Force Base, AL, April 1974

6. Block, Holly, Defense Contract Management Command Philadelphia, Contract Management Team Leader, Interview granted, 13 March 1997

7. Brennan, James, Navy Inventory Control Point Philadelphia, Contracts Manager, Interview granted, 13 March 1997

8. Brennan, Joseph, Defense Contract Management Command Boston, Preaward Survey Manager, Interview granted, 17 March 1997

9. Brooks, Melvin, Defense Contract Management Command Philadelphia, Contract Administrator, Interview granted, 13 March 1997

10. Browder, Paul, Navy Inventory Control Point Philadelphia, Contract Specialist, Interview granted, 11 March 1997

11. Brown, Evelynne, Navy Inventory Control Point Mechanicsburg, Contract Specialist, Interview granted, 12 March 1997

12. Burke, Carol, Navy Inventory Control Point Philadelphia, Contract Specialist, Interview granted, 11 March 1997

13. Burston, Jerome, Navy Inventory Control Point Mechanicsburg, Contract Specialist, Interview granted, 12 March 1997

14. Butler, Sharon, Headquarters, US Army Aviation and Troop Command, Contracts Manager, Interview granted, 13 March 1997

15. Callahan, John E., Warner Robins Air Logistics Center, Warner Robins Air Force Base, Contracts Manager, Interview granted, 20 March 1997

16. Campbell, Keith, Defense Contract Management Command Denver, Preaward Survey Program Manager, Interview granted, 17 March 1997

17. Campbell, Thelma, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Buyer, Interview granted, 13 March 1997

18. Caruso, Frank D., Defense Contract Management Command Philadelphia, Administrative Contracting Officer, Interview granted, 12 March 1997

19. Cielesz, Joseph, Defense Contract Management Command Philadelphia, Contract Administrator, Interview granted, 13 March 1997

20. Civili, Paul P., Headquarters, US Army Aviation and Troop Command, Procurement Analyst, Interview granted, 12 March 1997

21. Clark, Margaret, Navy Inventory Control Point Philadelphia, Contract Specialist, Interview granted, 11 March 1997

22. Connolly, Brian, Navy Inventory Control Point Philadelphia, Contracts Manager, Interview granted, 12 March 1997

23. Cooper, Vernon, Defense Industrial Supply Center, Procuring Contracting Officer, Interview granted, 12 March 1997

24. Cutler, Michael B., Defense Contract Management Command Santa Ana, Preaward Survey Program Manager, Interview granted, 18 March 1997

25. D'Imperio, Elizabeth A., Navy Inventory Control Point Philadelphia, Procuring Contracting Officer, Interview granted, 11 March 1997

26. Daniels, Michael, Defense Contract Management Command Philadelphia, Industrial Specialist, Interview granted, 12 March 1997

27. David, Dianne, Defense Contract Management Command Birmingham, Assistant Preaward Survey and Industrial Assessment Manager, Interview granted, 17 March 1997

28. Dean, Kevin, Defense Industrial Supply Center, Procuring Contracting Officer, Interview granted, 12 March 1997

29. Delaney-Rios, Patricia E., *Contractor Responsibility Determination by the Small Business Administration and by Department of Defense Contracting Officers: A Case Study*, Commandant, Air Force Institute of Technology, School of Systems and Logistics, Wright-Patterson Air Force Base, OH, September 1986

30. De Stefano, Jean, Navy Inventory Control Point Philadelphia, Procuring Contracting Officer, Interview granted, 12 March 1997

31. Demers, W.A., "Grading Contractor Performance", *Military Forum*, v. 4-8, pp. 38-42, May 1988

32. Dieter, Jennifer, Navy Inventory Control Point Mechanicsburg, Contract Specialist, Interview granted, 12 March 1997

33. Dolan, Dan, Defense Contract Management Command Phoenix, Preaward Survey Manager, Interview granted, 17 March 1997

34 Evans, Peter M., *An Investigation Into the Causes of Negative Preaward Surveys and Their Use*, M.S., Thesis, Naval Post Graduate School, Monterey CA, December 1988

35. Fogarty, Robert, Defense Contract Management Command Springfield, Preaward Survey Manager, Interview granted, 17 March 1997

36. Fry, Richard, Navy Inventory Control Point Mechanicsburg, Procuring Contracting Officer, Interview granted, 12 March 1997

37. Gallagher, Jo Anne, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Procuring Contracting Officer, Interview granted, 12 March 1997

38. Gioia, D., Navy Inventory Control Point Philadelphia, Procuring Contracting Officer, Interview granted, 11 March 1997

39. Goff, James R., Defense Contract Management Command Philadelphia, Contract Administrator, Interview granted, 13 March 1997

40. Goldberg, Francine, Defense Industrial Supply Center, Procurement Analyst, Interview granted, 11 March 1997

41. Gomez, Joni, Defense Contract Management Command Philadelphia, Contract Management Team Leader, Interview granted, 13 March 1997

42. Goss, Guy, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Procurement Analyst, Interview granted, 14 March 1997

43. Greene, Brenda, Defense Contract Management Command New York, Preaward Survey Manager, Interview granted, 13 March 1997

44. Grskovich, Donald L., "For Beginners Only: Source Selection: Another Way of Doing the Same Thing", *Contract Management*, v. 29-6, pp. 18-21, June 1988

45. Haberkern, Richard M., Defense Contract Management Command Philadelphia, Industrial Specialist, Interview granted, 19 March 1997

46. Hagee, C., Navy Inventory Control Point Philadelphia, Procuring Contracting Officer, Interview granted, 11 March 1997

47. Hansen, Eric, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Contract Specialist, Interview granted, 13 March 1997

48. Haraway, Ronald, Defense Contract Management Command Philadelphia, Quality Assurance Specialist, Interview granted, 12 March 1997

49. Hare, Peggy L., Defense Contract Management Command Orlando, Preaward Survey Manager, Interview granted, 18 March 1997

50. Harris, Michael W., Defense Contract Management Command San Diego, Industrial Specialist, Interview granted, 17 March 1997

51. Henderson, D.M., Navy Inventory Control Point Philadelphia, Procuring Contracting Officer, Interview granted, 12 March 1997

52. Herman, Steven, D., Defense Industrial Supply Center, Procuring Contracting Officer, Interview granted, 12 March 1997

53. Hoffman, Joel, Navy Inventory Control Point Philadelphia, Contract Specialist, Interview granted, 11 March 1997

54. Hoover, Joanne, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Contract Specialist, Interview granted, 13 March 1997

55. Jeanson, Patricia, Defense Contract Management Command Atlanta, Preaward Survey and Industrial Base Program Manager, Interview granted, 17 March 1997

56. Keller, Stephen, Headquarters, US Army Aviation and Troop Command, Contract Specialist, Interview granted, 13 March 1997

57. Kinney, Russell, Defense Contract Management Command Twin Cities, Preaward Survey Manager, Interview granted, 19 March 1997

58. Khoubesesserian, George, Defense Contract Management Command Garden City Long Island, Preaward Survey Manager, Interview granted, 18 March 1997

59. Left, Barbara, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Contract Specialist, Interview granted, 13 March 1997

60. Lesher, Anne L., Defense Industrial Supply Center, Procuring Contracting Officer, Interview granted, 11 March 1997

61. Less, Sharon, Headquarters, US Army Aviation and Troop Command, Procuring Contracting Officer, Interview granted, 13 March 1997

62. Lomanno, Paula A., Navy Inventory Control Point Philadelphia, Procuring Contracting Officer, Interview granted, 12 March 1997

63. Madden, John, Defense Contract Management Command Philadelphia, Contract Management Team Leader, Interview granted, 13 March 1997

64. Martinez, Jose Antonio, *Study to Evaluate the Defense Logistics Agency Preaward Contracting System to Develop a Perspective of the Efforts to Automate the Agency's Procurement Process*, Florida Institute of Technology, Fort Lee, VA, September 1990

65. McGinley, James, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Contract Negotiator, Interview granted, 13 March 1997

66. McKinney, David, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Buyer, Interview granted, 13 March 1997

67. McLaughlin, Robert, Defense Contract Management Command Philadelphia, Industrial Specialist, Interview granted, 12 March 1997

68. Menker, Janice M., "Best Value Contracting, Debunking the Myth", *Program Manager*, v. XXI-5, pp. 16-19, September-October 1992

69. Mercuriao, Pamela, Defense Contract Management Command Philadelphia, Quality Assurance Specialist, Interview granted, 13 March 1997

70. Morrison, Barbara Defense Contract Management Command Philadelphia, Cost/Price Analyst, Interview granted, 13 March 1997

71. Necuwitz, David, Navy Inventory Control Point Philadelphia, Procuring Contracting Officer, Interview granted, 11 March 1997

72. Neff, Dianne, Defense Industrial Supply Center, Procurement Analyst, Interview granted, 12 March 1997

73. Nolan, III, William F., Defense Contract Management Command Philadelphia, Cost/Price Analyst, Interview granted, 10 March 1997

74. Nowicki, Richard L., Defense Contract Management Command Philadelphia, Industrial Specialist, Interview granted, 13 March 1997

75. Orf, Thomas, R., Headquarters, US Army Aviation and Troop Command, Production Supervisor, Interview granted, 12 March 1997

76. Palombano, Francis, J., Defense Contract Management Command Philadelphia, Industrial Specialist, Interview granted, 13 March 1997

77. Parker, Sandra, Navy Inventory Control Point Philadelphia, Procuring Contracting Officer, Interview granted, 11 March 1997

78. Pearlstein, Karen, Defense Industrial Supply Center, Procurement Analyst Corporate Contracting, Interview granted, 11 March 1997

79. Perkins, Victor, Defense Contract Management Command Birmingham, Preaward Survey Manager and Industrial Assessment Manager, Interview granted, 17 March 1997

80. Piecyk, Thomas, Defense Industrial Supply Center, Procuring Contracting Officer, Interview granted, 11 March 1997

81. Polimeni, Dennis, Defense Personnel Support Activity, Chief Contract Clearance and Oversight, Interview granted, 10 March 1997

82. Poole, Connie, "Source Evaluation Board Training", *Contract Management*, v. 32-1, pp. 8-11, January 1992

83. Ratko, Stephen, Defense Contract Management Command Philadelphia, Administrative Contracting Officer, Interview granted, 13 March 1997

84. Reinard, Manfred J., *Improving the Source Selection Process*, Concepts - The Journal of Defense Systems Acquisition Management, Fort Belvoir, VA, July 1992

85. Robertson, Evelyn A., Headquarters, US Army Aviation and Troop Command, Procurement Analyst, Interview granted, 11 March 1997

86. Roche, Roeanne., Defense Contract Management Command Philadelphia, Contract Administrator, Interview granted, 13 March 1997

87. Roe, Arthur, W. Defense Contract Management Command Detroit, Preaward Survey Manager, Interview granted, 17 March 1997

88. Rogers, Helen, Navy Inventory Control Point Philadelphia, Contract Specialist, Interview granted, 11 March 1997

89. Russial, Paul, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Procuring Contracting Officer, Interview granted, 13 March 1997

90. Russo, Richard, Defense Contract Management Command Philadelphia, Contract Administrator, Interview granted, 13 March 1997

91. Ryan, Michael A., *Cost of a Preaward Survey*, Commander Defense Logistics Agency, Cameron Station, Alexandria, VA, June 1989

92. Sands, Carol L., Defense Industrial Supply Center, Procuring Contracting Officer, Interview granted, 12 March 1997

93. Santoro, Steven, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Contract Specialist, Interview granted, 13 March 1997

94. Scarpato, Anna Marie, Defense Contract Management Command Philadelphia, Administrative Contracting Officer, Interview granted, 12 March 1997

95. Schiavo, Mary, Defense Contract Management Command Philadelphia, Administrative Contracting Officer, Interview granted, 12 March 1997

96. Schultz, Edward A., Defense Contract Management Command Philadelphia, Specialized Safety Manager, Interview granted, 12 March 1997

97. Solloway, Charles, D., "A Beef Stew Approach to Source Selection", *Contract Management*, v. 29-1, p. 9, January 1989

98. Splawn, Charles, Navy Inventory Control Point Mechanicsburg, Contract Specialist, Interview granted, 12 March 1997

99. Stellhorn, Nick, Navy Inventory Control Point Mechanicsburg, Contract Specialist, Interview granted, 12 March 1997

100. Steffani, Larry, Defense Personnel Support Center, Chief Subsistence Support Branch, Interview granted, 10 March 1997

101. Stumpo, Eugene J., Navy Inventory Control Point Philadelphia, Contract Specialist, Interview granted, 10 March 1997

102. Sutton, Joseph R., "Contractor Responsibility - Or, Would You Buy a ***** from this Company?", *Contract Management*, v. 29-9, pp. 4-7, September 1989

103. Sweeney, Matt, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Contract Specialist, Interview granted, 13 March 1997

104. Sweetra, Kevin, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Procuring Contracting Officer, Interview granted, 13 March 1997

105. Swizewski, James, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Procuring Contracting Officer, Interview granted, 13 March 1997

106. Sywulak, Michael, W., Defense Contract Management Command Philadelphia, Preaward Survey Manager, Interview granted, 12 March 1997

107. Tappel, Joseph, Headquarters, US Army Aviation and Troop Command, Industrial Specialist, Interview granted, 12 March 1997

108. Taylor, Patricia, Navy Inventory Control Point Mechanicsburg, Contract Specialist, Interview granted, 12 March 1997

109. U.S. Department of Defense, Commander, U.S. Army Material Readiness Support Activity, Lexington, KY, *Preaward Survey Teams Lessons Learned*, Lexington, KY, January 1990

110. U.S. Department of Defense, *DOD Federal Acquisition Regulation Supplement*, Government Printing Office, Washington, DC, 1988

111. U.S. Department of Defense, Defense Logistics Agency, *DLA Contract Administration Services Process Action Team Report*, Fort Belvoir, VA, February 1995

112. U.S. Department of Defense, Defense Logistics Agency, *Preaward Survey Information for Prospective Government Offerors*, Cameron Station, Alexandra, VA, 1984

113. U.S. Department of Defense, Defense Logistics Agency, *Production Manual for Contract Administration Services DLAM 8300*-1, Cameron Station, Alexandria, VA, 1990

114. U.S. Department of Defense, Defense Logistics Agency, *DLA Reinvention Journal ... State of the Agency*, Fort Belvoir, VA, 1995

115. U.S. Department of Defense, *Federal Acquisition Regulation*, Government Printing Office, Washington, DC, 1984

116. U.S. Department of Defense, Inspector General, *Preaward Surveys Audit Report*, Arlington, VA, 1988

117. U.S. Department of the Navy Office of the Assistant Secretary Research, Development and Acquisition, *Navy Acquisition Procedures Supplement*, Government Printing Office, January 1992

118. Walicki, Mary, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Contract Specialist, Interview granted, 13 March 1997

119. Weaver, David F., *Impact of Public Law 95-89 on the Certificate of Competency Program Involving Department of Defense Contracts*, Florida Institute of Technology, Fort Lee, VA, June 1982

120. Weihs, Kenneth., Defense Contract Management Command St. Louis, Preaward Survey Program Manager, Interview granted, 17 March 1997

121. West, Karen, Fleet Industrial Supply Center Norfolk Detachment Philadelphia, Contract Specialist, Interview granted, 13 March 1997

122. Westhafer, Barbara, Navy Inventory Control Point Mechanicsburg, Contract Specialist, Interview granted, 12 March 1997

123. Williams, Joseph, Navy Inventory Control Point Philadelphia, Procuring Contracting Officer, Interview granted, 12 March 1997

124. Williams, Michael, Defense Logistics Agency, Deputy Director of Contract Capability and Proposal Analysis, Interview granted, 10 March 1997

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center ----------2
   8725 John J. Kingman Road, Ste 0944
   Ft. Belvoir, VA 22060-6218

2. Dudley Knox Library----------2
   Naval Postgraduate School
   411 Dyer Rd.
   Monterey, CA 93943-5101

3. Dr. David V. Lamm ----------5
   Department of Systems Management Code SM/Lt
   Naval Postgraduate School
   Monterey, CA 93943-5101

4. CDR Danny A. Shockley, SC, USN ----------1
   Department of Systems Management Code SM/Sb
   Naval Postgraduate School
   Monterey, CA 93943-5101

5. Defense Logistics Studies Information Exchange ----------1
   U.S. Army Logistics Management College
   Ft. Lee, VA 23801

6. Mr. Michael W. Sywulak ----------1
   Preaward Survey Manager
   Defense Contract Management Command Philadelphia
   Post Office Box 7699
   21st & Oregon Avenue, Bldg. 6-2
   Philadelphia, PA 19101-7699

7. CDR Jeffrey R. Cuskey, SC, USN ----------1
   877 Hornig Road
   Lancaster, PA 17601